Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Jurisdictional Separations and Referral to the Federal-State Joint Board	)	CC Docket No. 80-286
	)	
	)	

COMMENTS OF
THE
NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER ADVOCATES,
THE NEW JERSEY DIVISION OF RATE COUNSEL
AND THE MAINE OFFICE OF THE PUBLIC ADVOCATE

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August 22, 2006

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I. INTRODUCTION

In the Order and Further Notice of Proposed Rulemaking ("Order" and "FNPRM") released May 16, 2006 in this docket, the Federal Communications Commission ("FCC" or "Commission") continued the current freeze on the separations process, and asked for comment on separations issues.[1] As the Order describes it, the jurisdictional separations process "is the process by which incumbent [local exchange carriers] LECs apportion regulated costs between the interstate and intrastate jurisdictions."[2]

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[1] *In the Matter of Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Order and Further Notice of Proposed Rulemaking (rel. May 16, 2006) ("Order and FNPRM").

[2] Order, ¶ 2.

The National Association of State Utility Consumer Advocates ("NASUCA") as an organization,[3] and its members the New Jersey Division of Rate Counsel ("New Jersey Rate Counsel")[4] and the Maine Office of the Public Advocate ("Maine Public Advocate")[5] present these comments to address the issues raised by the FNPRM, which are vital to the interests of the consumers represented by NASUCA's members. The purpose of these comments is to ensure that, in its examination of complex cost accounting systems, the Commission does not lose sight of the interests of consumers, who ultimately bear the cost of outdated cost accounting systems and who literally pay the price for the misallocation and mis-assignment of costs.

These comments are brief, far briefer than the subject requires. But that is possible because the comments fundamentally serve as an introduction to the affidavits of two nationally-recognized experts in telecommunications. The first affidavit (Attachment A hereto) is that of Susan M. Baldwin, who was retained for this purpose by the New Jersey Rate Counsel. The second affidavit (Attachment B hereto) is that of Dr. Robert Loube, who was retained for this purpose by the Maine Public Advocate. Between them,

[3] NASUCA is a voluntary association of 45 advocate offices in 42 states and the District of Columbia, incorporated in Florida as a non-profit corporation. NASUCA's members are designated by laws of their respective jurisdictions to represent the interests of utility consumers before state and federal regulators and in the courts. See, e.g., Ohio Rev. Code Chapter 4911; 71 Pa. Cons. Stat. Ann. § 309-4(a); Md. Pub. Util. Code Ann. § 2-205(b); Minn. Stat. § 8.33; D.C. Code Ann. § 34-804(d). Members operate independently from state utility commissions as advocates primarily for residential ratepayers. Some NASUCA member offices are separately established advocate organizations while others are divisions of larger state agencies (e.g., the state Attorney General's office). NASUCA's associate and affiliate members also serve utility consumers but are not created by state law or do not have statewide authority.

[4] Effective July 1, 2006, the New Jersey Division of Ratepayer Advocate is now the New Jersey Division of Rate Counsel. The Rate Counsel, formerly known as the New Jersey Ratepayer Advocate, is a Division within the Department of the Public Advocate. N.J.S.A. §§ 52:27EE-1 *et seq*.

5 The Maine Public Advocate represents all consumers of utility services in Maine, pursuant to 35-A M.R.S.A. Section 1702. The Public Advocate and staff take actions to ensure that Maine's utility customers have affordable, high quality utility services. Under Section 1702(5) of the Maine statutes, the Public Advocate may appear on behalf of utility ratepayers in "proceedings before state and federal agencies... in which the subject matter of the action affects the customers of any utility doing business in the State...."

Ms. Baldwin and Dr. Loube address the gamut of consumers' concerns over the separations process and the need to reform it. They also propose specific actions for the Commission to take in the course of that reform.

The FNPRM focuses on jurisdictional separations, which is only one part of the reform needed for the FCC's accounting regulations. The current jurisdictional separations, like the separation between regulated and non-regulated activities that precedes it in the Commission's accounting system, have become outmoded as a result of seismic changes in the industry.[6] To the extent that the accounting rules do not recognize these changes, consumers will suffer from rates that are substantially out-of-line with underlying costs.[7] A fundamental promise of the competitive market into which we have supposedly entered is that prices will be based on marginal costs, **and will not subsidize other areas of the competitive firm's endeavors.**[8] That is not now the case.

Incumbent LECs ("ILECs") variously and continuously proclaim that they are competitive, and seek to be freed of all regulation, including separations accounting. Ms. Baldwin refutes the ILECs' premise.[9] The ILEC position misses the fact that most of the current rates were **not** set in a competitive market. Rather, current rates were set under, or derived from, monopoly conditions, based on the outmoded separations and allocations percentages that have been frozen since 2001. In order for consumers to have a fair shake in these new markets, both interstate and intrastate rates need to be re-

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[6] See Baldwin Affidavit, ¶¶ 13, 17, 28, 66-75, 80-88, 105-111, 137-154.

[7] Id., ¶¶ 9-14, 17, 47-52, 64-80, 89-91, 106-122.

[8] See 47 U.S.C. § 254(k).

[9] Baldwin Affidavit, ¶¶ 16-17, 55-60.

initialized to reflect an up-to-date allocation of costs that reflects the reality of today's markets.

II. CONSUMERS OF INTRASTATE REGULATED SERVICES FOOT THE BILL FOR UNREGULATED SERVICES OR SERVICES THAT ARE JURISDICTIONALLY INTERSTATE.

Consumers of intrastate regulated services are bearing unfairly the cost of billions of dollars of carriers' investment in plant and related expenses that should be assigned and allocated to unregulated lines of business and interstate services. This is shown in detail in Ms. Baldwin's affidavit.[10]

The structure of the Commission's rules requires first an allocation of costs between regulated and deregulated services.[11] Then there is an allocation of costs between the interstate and the intrastate jurisdiction. Overriding this allocation process is the requirement that costs be directly assigned to services whenever possible.[12]

The process can be simplistically portrayed as follows:

Costs and revenues directly assigned whenever possible	→	Individual services (unregulated, interstate and intrastate)		
↓				
Separation between regulated and unregulated services	→	Unregulated service buckets	→	Individual unregulated services
↓				
Separation between interstate and intrastate services	→	Interstate service buckets	→	Individual interstate services
↓				
Intrastate service bucket	→	Individual intrastate services		

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[10] See footnote 6, supra.

[11] See FNPRM, ¶ 3.

[12] Loube Affidavit, 9-15; Baldwin Affidavit, ¶ 29.

The cost and revenue combination that should determine each individual service's price or rate is the amount directly assigned plus the allocated or separated portion. It is crucial for the process to be corrected, as explained in the next section.

III. SEISMIC CHANGES WARRANT RE-INITIALIZATION OF INTERSTATE AND INTRASTATE RATES.

Numerous factors -- described in Ms. Baldwin's affidavit[13] -- create a gross mismatch between the current accounting of revenues and costs, including: the Bells' pursuit of unregulated lines of business;[14] the Bells' increasing sales of long distance and bundled services which mingle intrastate, interstate, regulated, and unregulated products;[15] the Commission's declaration that wireline broadband services are information services;[16] and the increase in VoIP and ISP-bound traffic that the Commission has said is interstate. These seismic changes justify a long overdue close examination of costs and rates by federal and state regulators. As Ms. Baldwin demonstrates, billions of dollars are erroneously allocated to intrastate regulated rates.[17]

Those distorted intrastate and interstate costs and their resultant rates demonstrate the compelling need for federal and state regulators to examine those costs and rates (1) to ensure that regulated services are not cross-subsidizing unregulated services[18] and (2) with subsidies removed, to lower intrastate regulated rates based on a proper allocation and assignment of carriers' plant to interstate and unregulated operations that reflects

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[13] See footnote 5, supra.

[14] Baldwin Affidavit, ¶¶ 66-91.

[15] Id., ¶¶ 137-156.

[16] Id., 68.

[17] Id., ¶ 120 and Table 9.

[18] 47 U.S.C. § 254(k).

current conditions. The attached affidavits demonstrate the existence of such misallocations and propose remedies not only for the regulated intrastate jurisdiction, but for the regulated interstate jurisdiction. The intrastate issues can be addressed by the states even before this Commission's interstate analysis is final.

The extreme mismatch between interstate and intrastate costs and rates is easily shown from the Commission's ARMIS reports. Despite the ILECs' claims about the competitiveness of the interstate market, the ARMIS reports, as summarized in Attachment 3 hereto, show the ILECs earning what can charitably be described as supracompetitive[19] profits in the interstate jurisdiction, ranging as high as 58%. Dr. Loube's affidavit highlights what might be described as the "poster child" for the current misallocation, the extreme returns being earned by interstate special access services.[20]

By contrast, the ARMIS-reported intrastate returns shown in Attachment 3 are substantially lower than the interstate returns.[21] NASUCA submits that the main causes of this difference are the overallocation of costs to the intrastate regulated side, that should be placed on unregulated services or on the interstate jurisdiction. AT&T and BellSouth, among others, concede the mismatch of costs and revenues.[22]

IV. STATES SHOULD NOT AWAIT THE COMMISSION'S RESOLUTION OF THIS COMPLEX PROCEEDING BEFORE REDUCING EXCESSIVE RATES FOR INTRASTATE REGULATED SERVICES.

As a result of the reinitializing of costs and revenues, NASUCA believes that it will be shown that consumers' intrastate regulated rates are excessive. States should,

[19] Others might feel that more extreme terminology was appropriate. See Loube Affidavit, ¶ 22.

[20] Loube Affidavit, ¶ 21 and Table 2.

[21] As in many areas of the industry, there appear to be outliers that perhaps deserve individual examination.

[22] See Baldwin Affidavit, ¶ 25.

however, exercise their right to expeditiously remove non-regulated activities from intrastate rates and to direct carriers to directly assign private line investment. As the Commission recognizes, "state jurisdictions have the ability to remove the costs of state non-regulated activities so that those costs will not be recovered in regulated intrastate rates."[23] The Commission should, consistent with NARUC's resolution, "clarify that all carriers must continue to directly assign all private lines and special access circuits based on existing line counts,"[24] and that states can require their carriers to do so.

Delay in re-initializing excessive state rates harms consumers, and, therefore, states should not await the conclusion of this proceeding before examining carriers' costs. The Commission should issue an interim order removing any residual uncertainty about states' rights to remove the costs of non-regulated and interstate activities from intrastate rates.[25]

V. NASUCA'S PROPOSALS FOR REFORM OF THE PROCESS

As noted above, the first key to the separations and allocation process is direct assignment of costs and revenues. Dr. Loube demonstrates the current failure to directly assign plant to special access services, which results in a reduction in plant assigned to the interstate jurisdiction.[26] Fixing this error actually requires only that the current rules be followed, rather than changing the rules themselves. Dr. Loube calculates in detail the

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[23]FNPRM, at footnote 6.

[24]FNPRM, at para. 92, citing *Resolution Relating to Separations Reform*, NARUC (February 15, 2006).

[25] Baldwin Affidavit, ¶¶ 18-27, 62-63.

[26] Loube Affidavit, ¶ 9, 15.

impact of this failure to directly assign to special access on the revenues and returns of the ILECs.[27]

Once we get to the allocation process, Ms. Baldwin's affidavit and appendices provide clear evidence of the Bells' pursuit of new lines of business, and provide three illustrative methodologies that begin to correct the current under-allocation of common plant to unregulated services, such as DSL and video services.[28] One methodology estimates a minimum allocation of investment based on consumers' demand for unregulated services (as measured by the number of DSL connections reported by carriers); a second methodology relies on an estimate of DSL revenues; and a third methodology recognizes that carriers are able to rely on the ubiquitous and invaluable deployment of common loop plant (which enables them to be "ready" to deploy DSL on demand to most consumers), and that, therefore, at least half the common loop plant *regardless of actual demand* should be allocated to unregulated services such as DSL. **In all instances, this Part 64 allocation should occur before the jurisdictional separations process begins.** As presented by Ms. Baldwin, the allocation factor ultimately should be based on all of the carriers' various unregulated services including not only DSL but also their new entry into video services.

Dr. Loube's affidavit also presents a methodology for reallocation that is based on the current use of the loop to provide local service, digital subscriber line ("DSL") service and video service.[29] The allocation there depends on the actual subscription to

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[27] Id. ¶¶ 16-23.

[28] Baldwin Affidavit, ¶¶ 116-120.

[29] Loube Affidavit, ¶¶ 36-41.

the various services. Dr. Loube also proposes that the loop plant allocator based on the use of the plant should also be used to allocate the cost of packet switches.[30]

Both Ms. Baldwin's and Dr. Loube's affidavits clearly demonstrate that the status quo unfairly burdens customers of regulated intrastate services. The solutions proposed should be considered by the Commission.

VI. INTERSTATE REGULATED RATES ARE ALSO LIKELY EXCESSIVE.

Carriers' forays into unregulated lines of business, which "free-ride" over a common platform (without bearing a commensurate share of common costs), likely yield excessive interstate regulated rates.[31] Therefore, the Commission should re-initialize interstate rates.

In particular, the most immediate impact on consumers would come from reevaluating the subscriber line charge ("SLC"), which is an interstate rate that customers pay as part of their local service bill. NASUCA submits that if carriers properly allocated and assigned costs to unregulated services, the SLC -- which, for the BOCs and other price cap carriers, is currently based on their CMT revenue requirement[32] -- would likely decline, as the cost of regulated services would decline.[33]

Most importantly, the Commission should reject the proposal, set forth in the "Missoula Plan" recently filed in CC Docket No. 01-92, to increase SLCs as a means of revenue recovery, unless and until a close examination of carriers' properly-allocated

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[30] Id., ¶¶ 42-47.

[31] If costs are removed from the bucket that contains both interstate and intrastate regulated services, it is likely that the total costs allocated to both of those categories will decline.

[32] 47 C.F.R. § 69.152.

[33] Baldwin Affidavit, ¶ 10

costs justify such an increase.[34] Such an assessment depends critically on the Commission's findings about the Bells' exorbitant overearnings in the pending special access proceeding, and a careful review of the Bells' assignment and allocation of costs to unregulated lines of business.[35]

VII. THE COMMISSION SHOULD REJECT THE CARRIERS' MYTHS AT THE OUTSET.

Despite carriers' assertions to the contrary, neither existing levels of competition nor the existence of alternative forms of regulation protect consumers adequately from the distorted rates that are based on an outdated and/or insufficiently applied cost accounting system. As explained by Ms. Baldwin, the Bell's remonopolization of the telecommunications markets, along with their increasing sales of bundled offerings, make it even more important for the Commission to assert control over the allocation of costs among services -- regulated and unregulated, intra- and interstate alike.[36] This is true regardless of the form of state or federal rate regulation.[37]

VIII. THE INCREASE IN BUNDLING HAS SERIOUS IMPLICATIONS FOR COST ALLOCATION.

As shown in the affidavit and appendices of Ms. Baldwin, the Bells' phenomenal success in selling bundled services raises significant regulatory concerns and highlights the need to reform the separations rules expeditiously.[38] Bundled offerings often combine intrastate and interstate offerings, and regulated and unregulated offerings.

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[34] See id., ¶ 49.

[35] Dr. Loube explains impacts of correcting the accounting process on universal service funds. Loube Affidavit, ¶¶ 48-52.

[36] Id., ¶¶ 16-17, 55-60.

[37] Id., ¶ 44.

[38] Id., ¶¶ 137-148.

Improved cost accounting tools are necessary to detect and to prevent anticompetitive cross-subsidization and errors in jurisdictional allocation of costs and revenues.[39]

IX. THE BELLSOUTH COST ALLOCATION FORBEARANCE PETITION SHOULD BE DENIED.

In the FNPRM, the Commission asks for comment on the impact of granting or denying a pending BellSouth petition requesting forbearance from the cost allocation rules, based on the purported levels of competition in the market.[40] For the detailed reasons set forth in Ms. Baldwin's affidavit, the Commission should reject BellSouth's petition, per the comments filed by the New Jersey Rate Counsel in that docket.[41] This will leave the Commission free to pursue the issue in this rulemaking docket, which is where such industry-wide issues of national and local impact are best determined.

X. THE COMMISSION SHOULD CLEAR UP THE JURISDICTIONAL AMBIGUITY REGARDING UNBUNDLED NETWORK ELEMENTS.

As explained in Ms. Baldwin's affidavit,[42] current accounting for unbundled network elements ("UNEs") appears unclear. Carriers should be required to assign both UNE costs and revenues to the same jurisdiction, whether the UNEs are priced based on total element long run incremental costs or based on negotiated commercial agreements.[43] This will ensure proper accounting for these pieces of the network.

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[39] Id., ¶¶ 149-156.

[40] FNPRM, ¶ 37, citing *In the Matter of Petition of BellSouth Telecommunications, Inc. for Forbearance Under 47 U.S.C. § 160 from Enforcement of the Commission's Cost Assignment Rules*, WC Docket No. 05-342.

[41] Baldwin Affidavit, ¶¶ 45-46, 50-54;

[42] Id., ¶ 135-136.

[43] Ms. Baldwin refers to "commercially 'negotiated' arrangements" because of doubts over CLECs' ability to effectively negotiate with the increasingly concentrated ILECs. See id., ¶ 135, n.160.

XI. THE COMMISSION SHOULD TAKE IMMEDIATE STEPS TO CORRECT THE CURRENT INFORMATION ASYMMETRY.

The recent changes in the telecommunications industry require that stakeholders -- the FCC, state commissions, state consumer advocates and others -- be able to grasp the reality created by those changes. The five-year freeze on separations means that most stakeholders' information is viewed through the distorting-glass of the market as it existed five years or more ago. For that reason, the Commission should issue a detailed data request in a timely manner, similar to that set forth in the *FNPRM,* with the modifications discussed by Ms. Baldwin and Dr. Loube.[44] The industry's responses to the request should be made available at least to consumer advocates and state regulators so that they can contribute to a collaborative federal-state approach to revising the outdated cost accounting rules.

XII. CONCLUSION

The issues raised in the affidavits of Ms. Baldwin and Dr. Loube deserve careful scrutiny in order that the Commission can resolve the complex issues involved in separations. Even before that resolution, however, the Commission should make it clear that states are free to enter their own judgments about the proper allocation of costs and revenues in pricing intrastate services.

As Ms. Baldwin states:

> Competitive neutrality, administrative simplicity and cost causation continue to be appropriate criteria for evaluating proposals [for reform of the separations rules]. In addition, the Commission should consider whether proposals for reform achieve the objective of ensuring that customers of local services do not

[44] Id., ¶ 102; Loube Affidavit, 53.

> cross-subsidize carriers' entry into new lines of business and do not support services that have been deemed either unregulated or interstate.[45]

NASUCA's proposals meet all of those goals.

Respectfully submitted,

/s/ David C. Bergmann___________

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[45] Baldwin Affidavit, ¶ 42.

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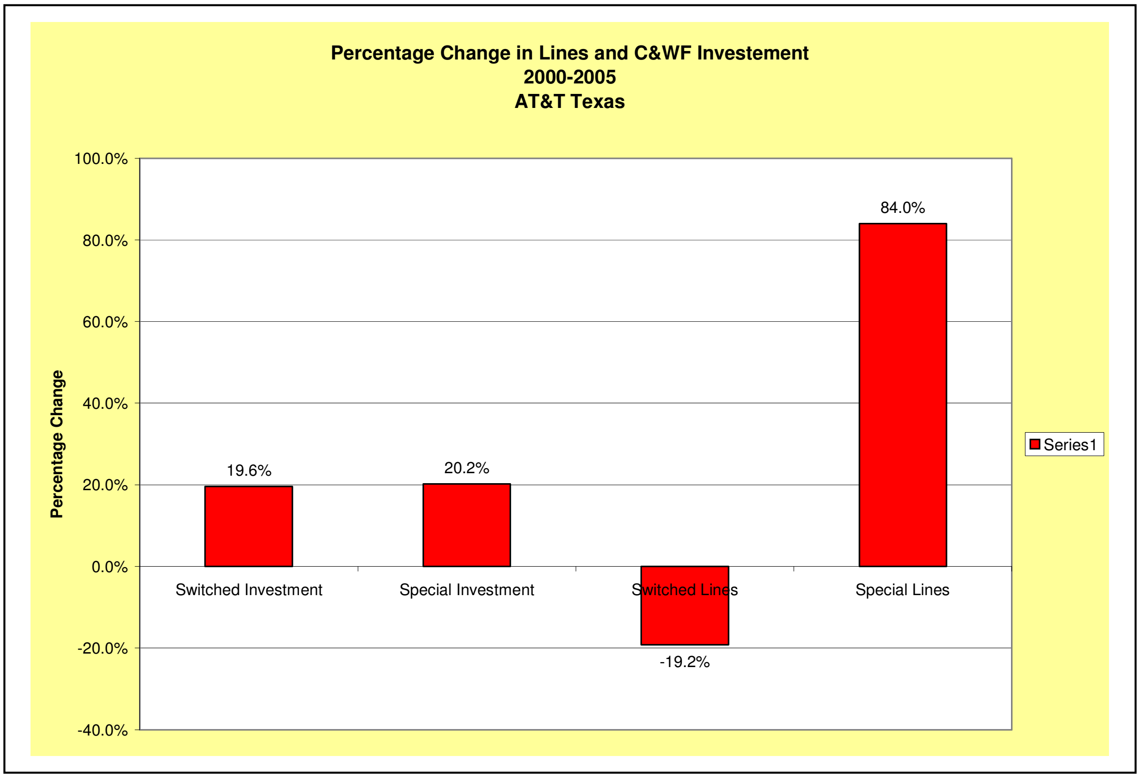
August 22, 2006

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 17, 2006

Melissa W. LeBel
Notary Public
My Commission Expires November 17, 2006
Commonwealth of Massachusetts

Appendix B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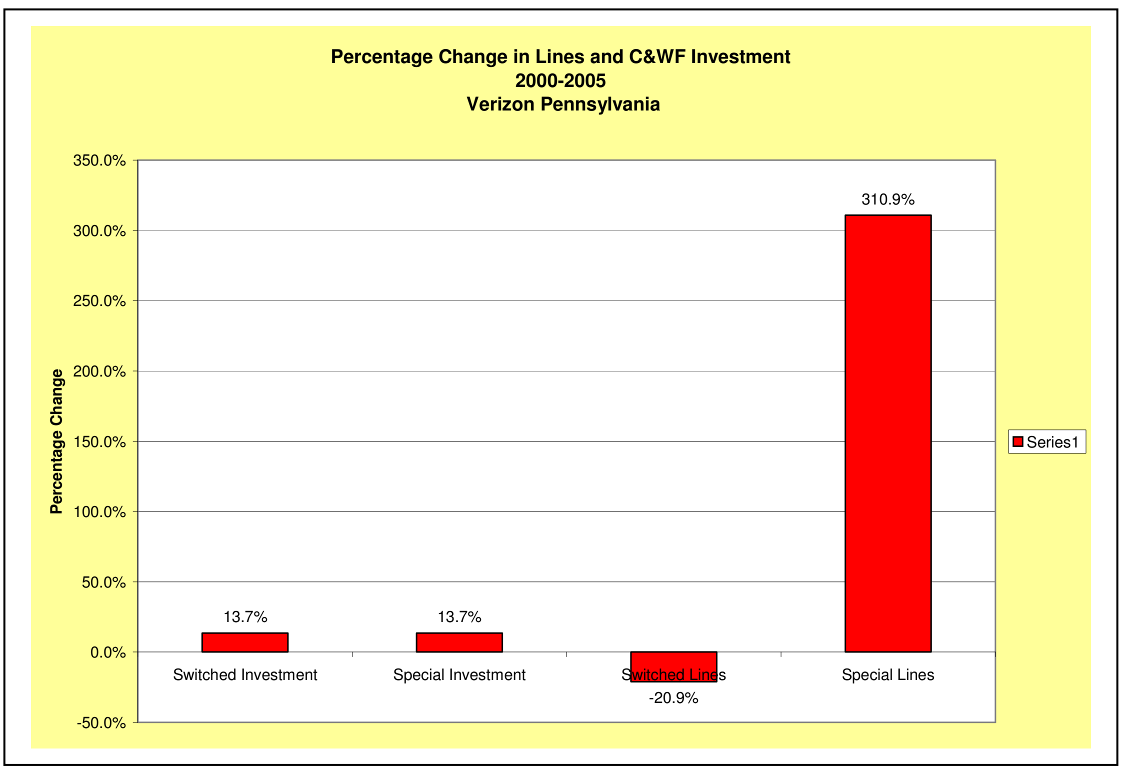
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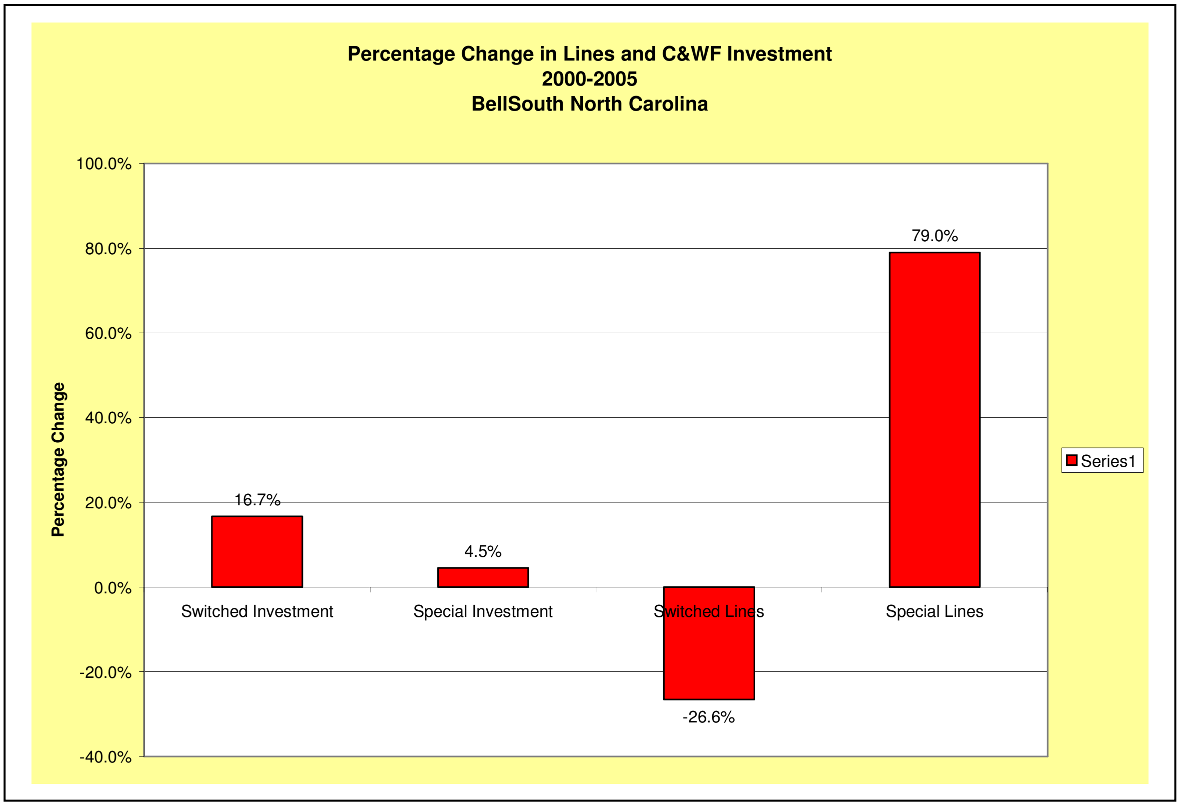
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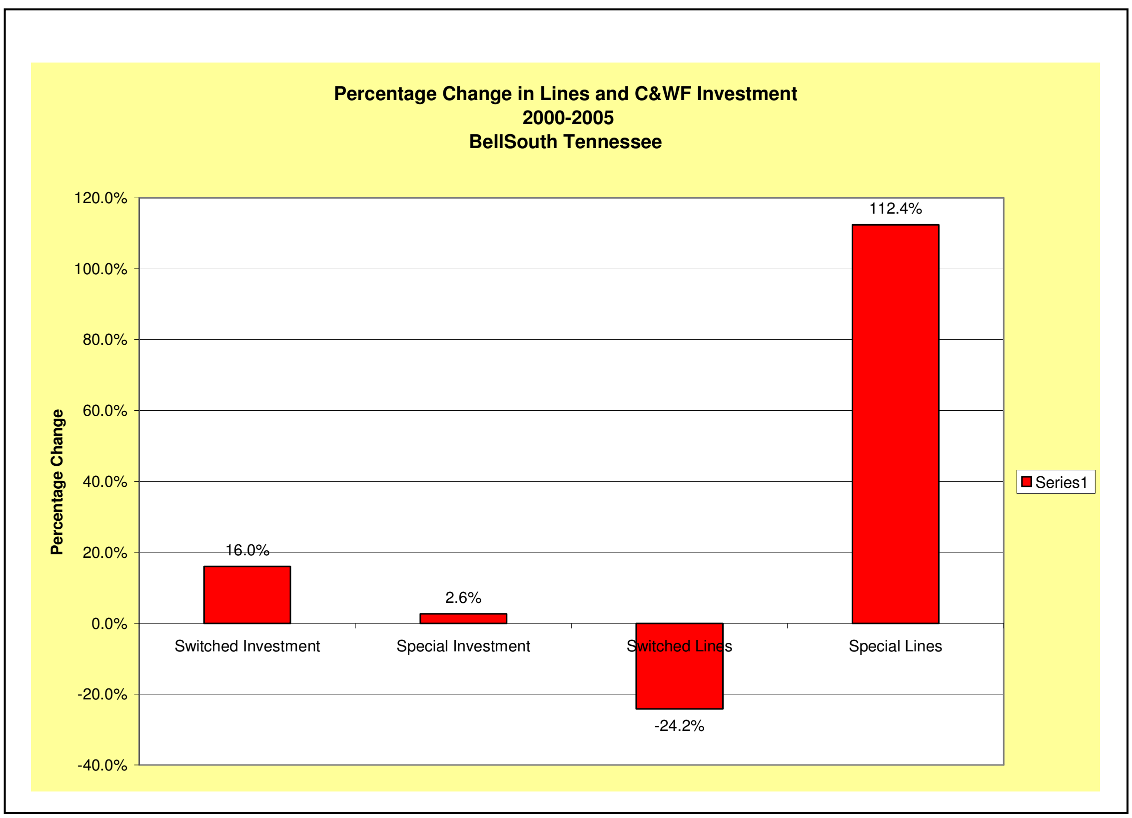
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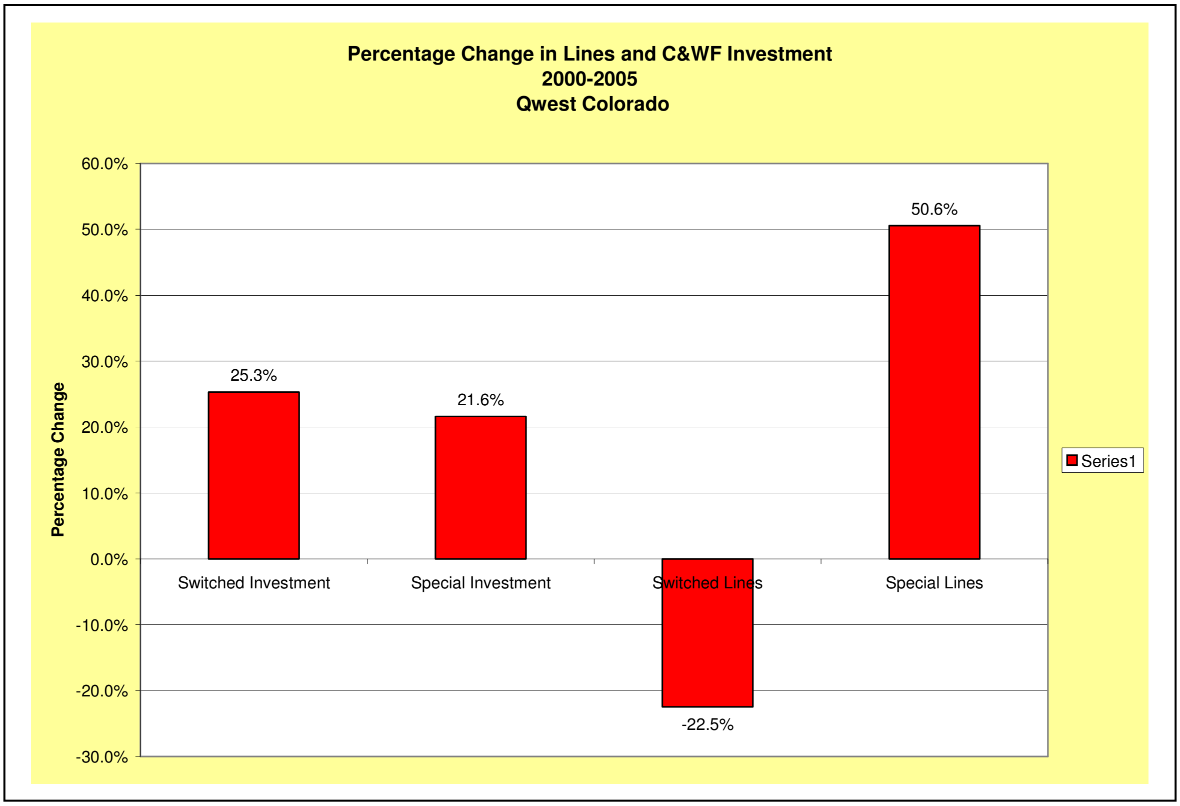
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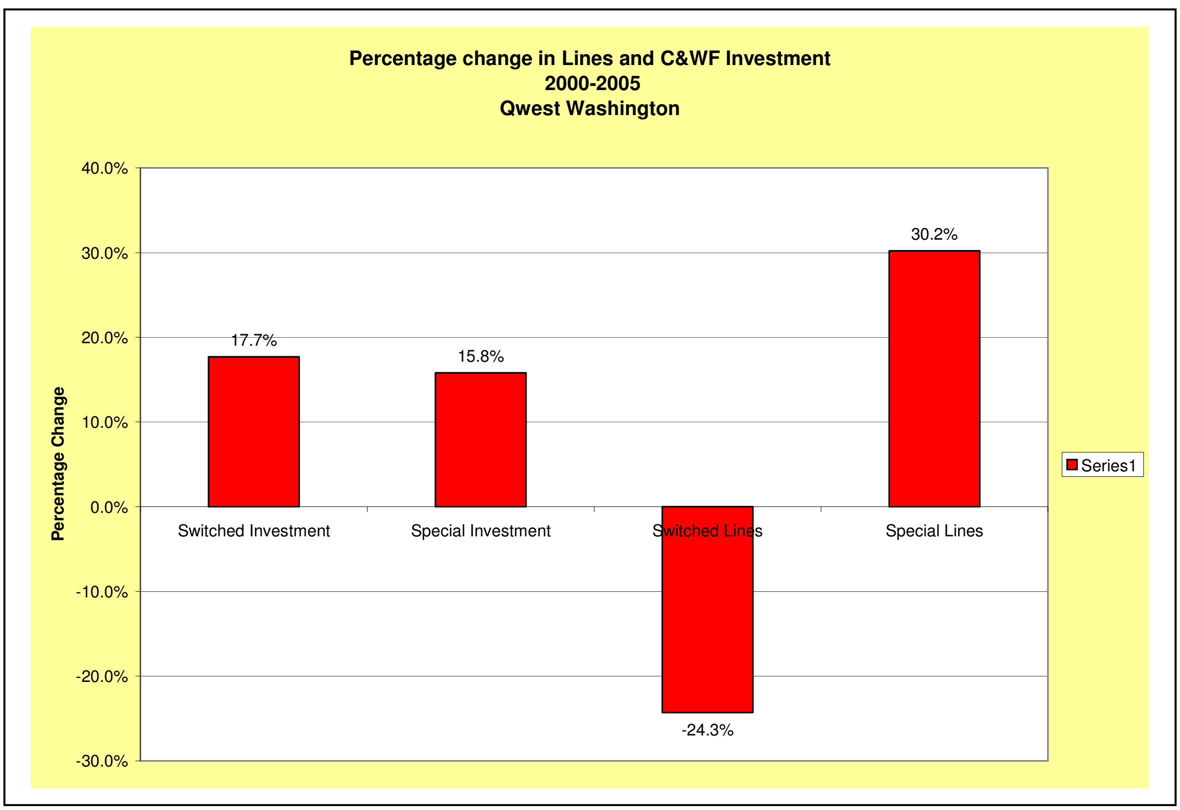
Special Lines
Series1


Percentage change in Lines and C&WF Investment
2000-2005
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Switched Investment
Special Investment
Switched Lines
Special Lines
Series1

FCC Docket No. 80-286
Declaration of Robert Loube

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Robert Loube

Robert Loube

Executed on August 18, 2006

Subscribed and sworn to before me, in my presence,
this 18 day of August 2006, a Notary Public
in and for the State of Maryland

Notary Public

My commission expires ____________ 20___

CHRISTINA WOO
NOTARY PUBLIC
HOWARD COUNTY
MARYLAND
MY COMMISSION EXPIRES SEPT. 1, 2008

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Before the
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AFFIDAVIT OF

ROBERT LOUBE

on behalf of the

Maine Office of the Public Advocate

and the

National Association of State Utility Consumer Advocates

August 22, 2006

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TABLES AND FIGURES

APPENDICES

I. Introduction

A. Introduction and Qualifications

1. My name is Robert Loube. I am the Director of Economic Research for Rhoads & Sinon, LLC. My business address is 10601 Cavalier Drive, Silver Spring, Maryland 20901. My consulting practice specializes in providing technical assistance to state and federal government agencies. Previously, I was an industry economist at the Federal Communications Commission, the Director of the Office of Economics of the Public Service Commission of the District of Columbia, and the econometrician of the Indiana Utility Regulatory Commission. I have served on both the state staff and the federal staff of the Federal-State Joint Board on Separations.
2. My vita is included as Appendix A.

B. Purpose of the Affidavit

3. The purpose of my Affidavit is to respond to the Federal Communications Commission's (the Commission) request for comments regarding the current separations process.[1] In particular, I demonstrate that the current separations process distorts the cost assignment between the jurisdictions. The distortion is aggravated by the fact that most carriers ignore the Part 36 rules associated with the direct assignment of special access.[2] I review the Freeze Order[3] and demonstrate that the direct assignment of Special Access investment is consistent with that Order. I provide a detailed analysis of the impact of the carriers' accounting, showing that

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[1] In the Matter of Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286, FCC 06-70, *Order and Further Notice of Proposed Rulemaking*, released May 16, 2006, (Order and FNPRM").
[2] Id.,¶38.
[3] In the Matter of Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286, FCC 01-162, *Report and Order*, released May 22, 2001, ("Freeze Order").

cable and wire facilities investment by category has been distorted by the freeze, and that this distortion generates extraordinary special access profits while dampening the profits of all other service categories.

4. I also focus on the question of how to incorporate new technologies into the separations process.[4] These technologies affect the allocation of outside plant and switching equipment. Carriers use outside plant not only to provide regulated telecommunications services but also to provide non-regulated data and video services. Even though the Commission recently found that some data services are not telecommunications services, it allows carriers to treat the non-regulated services as regulated services for the purpose of determining cost assignment.[5] The decision to allow non-regulated services to remain within the regulated accounting system creates a cash support flow from the regulated services to non-regulated services. This practice increases regulated prices and distorts the competitive playing field among providers of non-regulated services. Therefore, it is necessary to reform the current system by transferring cost from the basket of services included in the universal service package to non-regulated services. Below I will propose a plan that will accomplish that task.

5. In addition, switching equipment is evolving from circuit switches to package switches. This transformation generates a problem for the separations process because switching equipment is currently separated on the basis of minutes of use measured on circuit switches, and the industry has not developed an alternative usage

[4] Order and FNPRM, ¶33.
[5] In the Matter of Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, CC Docket No. 02-33, FCC 05-150, *Report and Order and Notice of Proposed Rulemaking*, released September 23, 2005, ("Wireline Broadband Order"), ¶128.

metric for packet switches. Without a packet metric, it may be necessary to use a fixed allocator to allocate traffic sensitive equipment. The simplest solution would be to use the same gross allocator for both packet switches and loop plant. Such a solution would be reasonable if the loop allocator is changed to reflect the increased use of the loop for the provision of non-regulated services.

6. The relationship between separations and universal service funding must be analyzed.[6] The embedded High Cost Loop (HCL) and the Interstate Common Line Access (ICLS) mechanisms rely on the separations procedures. The HCL mechanism calculates a loop cost based on the cable and wire facilities (C&WF) Category One loop plant and central office equipment (COE) Category 4.13 plant.[7] It compares the study area loop cost to the national average loop. If the Commission re-bases the high cost loop mechanism, it will be necessary to re-calculate the national average loop cost. Changes in the separations process will change the current reported C&WF Category One and COE 4.13 investment levels.

7. The ICLS mechanism supports the interstate common line revenue requirement.[8] As such it acts to constrain the level of the rate of return carriers' subscriber line charges. The determination of the interstate common line revenue requirement is dependent on the separations process. I will review how my proposals to change the separations process affect both the HCL and ICLS mechanisms.

8. Finally I will discuss the need to enhance the proposed data request in order to obtain information required to evaluate the current freeze and proposals to change the freeze.

II. Special Access, the Freeze Order and Direct Assignment

[6] Order and FNPRM, ¶35.
[7] 47 C.F.R. §36.621.

A. The Separations Process and Direct Assignment

9. The direct assignment of plant is still required even though there is a general freeze on separations changes. The Freeze Order requires carriers to continue to directly assign investments to categories that were directly assigned prior to the order. Special Access investment is specifically designated as investment that should be directly assigned.[9] However, carriers have ignored this requirement. Instead, carriers apply the Freeze to all categories. This failure to directly assign Special Access investment has led to a reduction in the plant that would have been directly assigned to the interstate jurisdiction.

10. The first step in the separations process is to divide the investment into categories. These categories generally group equipment according to function or service provided. For example, switching equipment is divided by switches providing local end-user service and switches providing tandem service. Cable and wire facilities are grouped according to whether the cable is used to connect end-users to wire centers (Category 1), to connect local offices and provide wide-band services (Category 2), to provide toll message and private line services (Category 3), or to connect host and remote switches (Category 4). The Categories can be further divided into subcategories. For example, cable and wire Category 1 is divided into state private lines (Subcategory 1.1), interstate private lines (Subcategory 1.2), and subscriber loops (Subcategory 1.3).

11. The second step in the separations process is to apportion each category between the jurisdictions according to an allocation factor or by direct assignment. Allocation

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[8] 47 C.F.R. §54.901.
[9] 47 C.F.R. §36.3(a).

factors can be either relative use factors or fixed factors. A relative use factor measures the use of a particular type of facility or equipment. For example, the dial equipment minutes (DEM) factor measures the use of the local switching equipment. If a switch has 100 minutes of use and 15 minutes are used for interstate services and 85 minutes are used for intrastate services, then the interstate DEM would be 15 percent, and 15 percent of the investment would be assigned to the interstate jurisdiction.[10] A fixed allocator does not change over time. An example of a fixed allocator is the 75/25 percent gross allocator used to assign subscriber loop (Category 1.3) between the jurisdictions. Accordingly, 75 percent of subscriber loop plant is assigned to the intrastate jurisdiction and 25 percent is assigned to the interstate jurisdiction.

12. Under direct assignment, the carrier allocates the investment directly to a category, and because the category is 100 percent assigned to one jurisdiction, the investment is directly assigned to that jurisdiction. This type of direct assignment occurs with regard to intrastate private line investment, Subcategory 1.1.[11]

13. The FCC released the Freeze Order on May 22, 2001.[12] In general, the freeze maintains the calendar-year 2000 category relationships and cost allocation factors.[13] For example, if in calendar-year 2000, the cable and wire facilities accounts were allocated 60 percent to Category 1, 20 percent to Category 2, and 10 percent to Categories 3 and 4, then all cable and wire investment from July 1, 2001 forward would be allocated to the categories using those percentages. Thus, in years

[10] For a carrier with multiple switches the DEM is measured across the multiple switches.
[11] Freeze Order, Footnote 13.
[12] Freeze Order.
[13] Id., ¶9.

subsequent to July 2001, for every $100 of cable and wire investment, $60 would be assigned to Category 1. Moreover, if Category 1 has a jurisdictional cost allocation factor of 70 percent, then the carrier would place $42 ($60 times 70 percent) into the intrastate jurisdiction.

14. The general freeze applies only to investment that is allocated on the basis of relative use or fixed factors.[14] It does not apply to investment allocated through direct assignment. With regard to direct assignment the Order stated:

> Categories or portions of categories that have been directly assigned in the past, however, will continue to be directly assigned to each jurisdiction. In other words, the frozen factors shall not have an effect on the direct assignment of costs for categories, or portions of categories, that are directly assigned.[15]

15. The immediate impact of Special Access direct assignment is to place cable and wire facilities in the appropriate accounts. In addition, the impact of direct assignment cascades through numerous other accounts. Several circuit equipment investment accounts are directly assigned on the basis of the cable and wire facilities assignments.[16] The directly assigned investments determine the allocations of related depreciation and maintenance.[17] Changes in maintenance expenses alter the allocation of investments and expenses that are allocated on the basis of the "Big Three Expenses" which include general support facilities investment, depreciation and operating expenses, and corporate operations expenses.[18]

B. Measuring the Impact of the Failure to Directly Assign Special Access Investment

[14] Id.
[15] Id, ¶23.
[16] See for example, 47 C.F.R. § 36.126(c)(1) & (2).
[17] 47 C.F.R. §36.361, §36.321 and §36.341.
[18] 47 C.F.R. §36.112 and §36.392.

16. The first step in measuring the impact of the failure to direct assign special access investment is to show that the Bell Operating Companies are maintaining the category freeze with regard to cable and wire special access investment.[19] Table 1 calculates the relationship between interstate special access C&WF investment and total C&WF investment for eight carriers for the years 2000 to 2005. With the exception of 2001 (the category freeze was not in effect during the first half of 2001), the percentages calculated in Table One are essentially the same for each carrier for all years. While it is possible that such events could occur even under a regime of direct assignment the chances of that outcome occurring is very slim. The more likely explanation for the results shown in Table One is that the carriers are maintaining the category freeze.

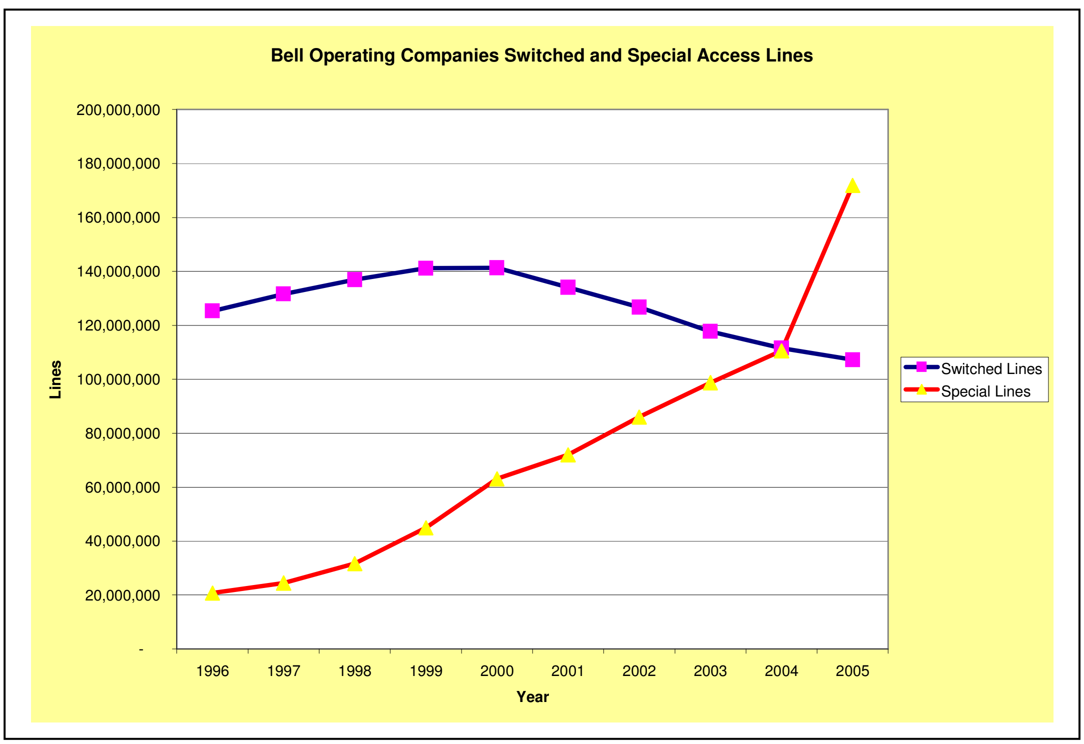
Table One

	Interstate Special Access C&WF Investment as a Percentage of Total C&WF Investment					
Year	2005	2004	2003	2002	2001	2000
AT&T California	4.8%	4.8%	4.8%	4.8%	4.4%	4.7%
AT&T Texas	6.1%	6.1%	6.1%	6.1%	4.9%	6.0%
BellSouth North Carolina	3.4%	3.4%	3.4%	3.4%	3.8%	3.4%
BellSouth Tennessee	3.2%	3.2%	3.2%	3.2%	3.4%	3.1%
Qwest Colorado	5.5%	5.5%	5.5%	5.5%	5.3%	5.5%
Qwest Washington	3.6%	3.6%	3.6%	3.6%	3.7%	3.6%
Verizon Massachusetts	21.9%	21.9%	21.9%	21.9%	24.3%	21.9%
Verizon Pennsylvania	5.4%	5.4%	5.4%	5.4%	5.5%	5.4%
Source: ARMIS 43-04 Reports						

[19] With regard to circuit equipment, Verizon maintains the category freeze on a total company basis, but then makes a limited ad hoc adjustment to the categories when it allocates plant between the jurisdictions. See the Rebuttal Testimony of Sandra Anderson on Behalf of Verizon Maine, Maine Public Utilities

17. Second, the period between 2000 and 2005 was marked by two new and significant trends in the provision of telecommunications services. The first trend is the fact that the number of switched access lines provided by carriers peaked and started to decline. The second trend is that the number of special access lines increased very rapidly. The combination of these trends is shown in Figure One. At the beginning of the period, switched access lines exceeded special access. By 2004, switched and special access lines were approximately the same. In 2005, special lines were far greater than switched lines as the special access line count continued to grow and the switched access line count continued to decline.

Figure One[20]



Commission Investigation into New Alternative Form of Regulation for Verizon Maine, Docket No. 2005-155, Page 11, lines 6-13.

[20] Data source is the ARMIS 43-08 Reports

18. The decline in switched access lines and the increase in special access lines also occurred on an individual carrier basis. At the same time that these line trends exist, C&WF investment for switched and special access grew at approximately the same rate. For example, Figures 2 and 3 compare the percentage change in access lines to the percentage change in investment. For Verizon Massachusetts (Figure 2), switched access lines decreased by 25.7 percent and special access lines increased by 310.9 percent.[21] However, C&WF investment for switched and special access lines services increased by the same 17 percent. For AT&T California (Figure 3), switched access lines decreased by 21.3 percent and special access lines increased by 85.6 percent. At the same time, switched investment increased by 18.3 percent and special investment increased by 18.8 percent.

[21] Data sources are the ARMIS 43-04 and 43-08 reports. Appendix B contains the figures for an additional six carriers. The carriers were chosen so that there would be two carriers from each holding company. Also the carriers represent different regions within the holding company. NASUCA is providing the FCC with a CD containing the spreadsheets and data used to develop these figures and all other figures and tables in this affidavit. The data provided will allow an analysis to generate the figures and tables for all Bell Operating Companies. NASUCA will also provide the CD to any interested party in this docket. Please contact bobloube@earthlink.net in order to obtain a copy of the CD.

Figure Two

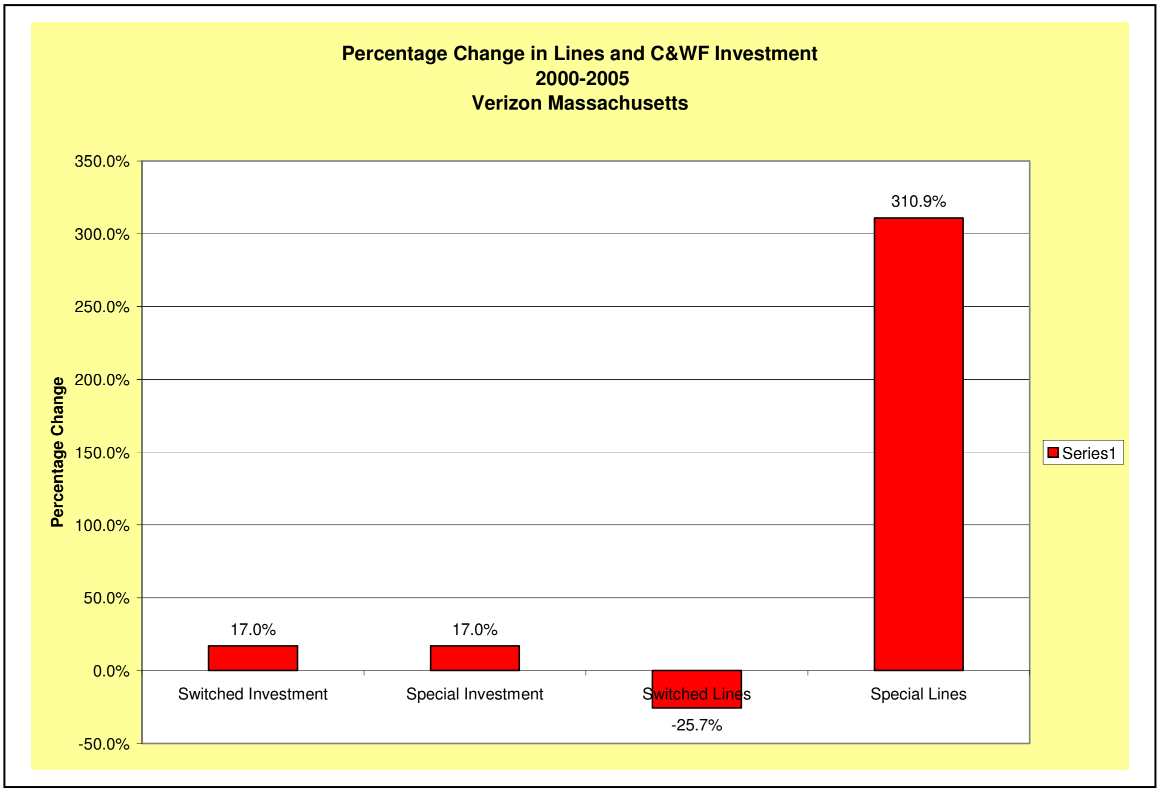
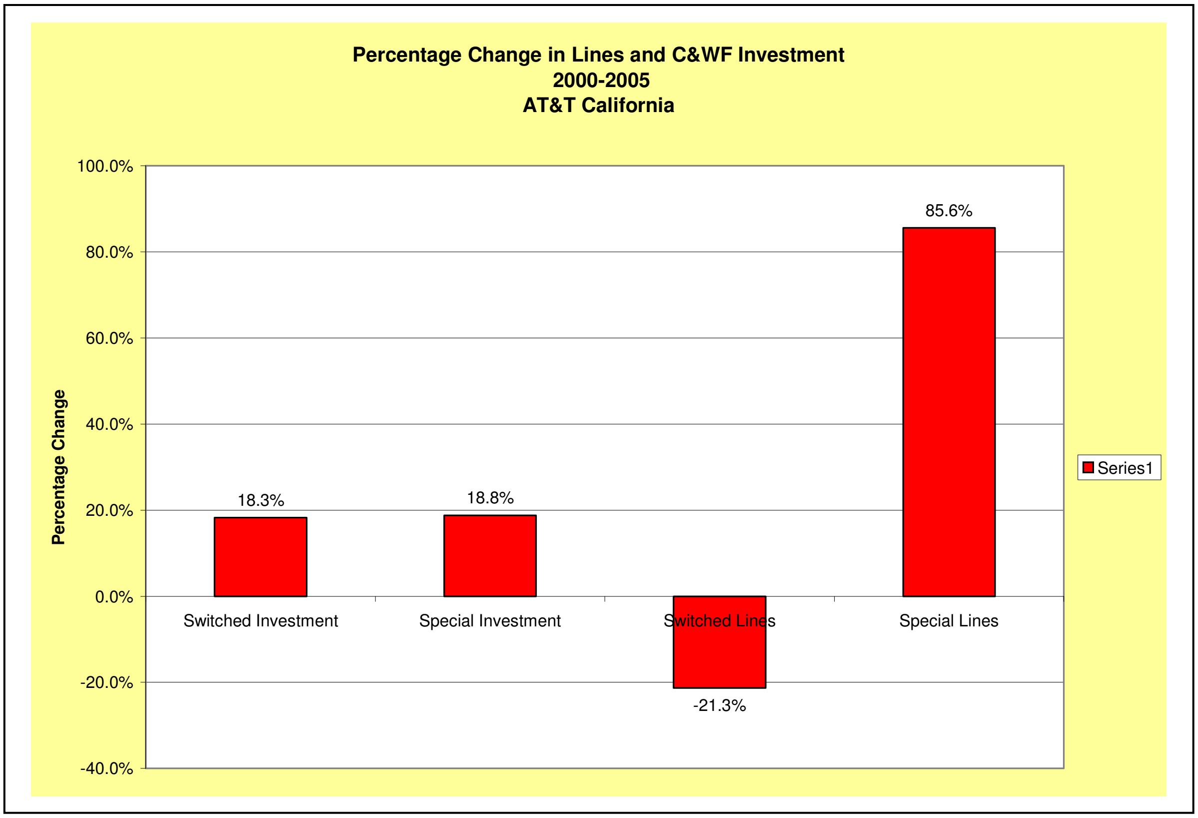


Figure Three



19. Figures Two and Three provide a vivid comparison of line and investment growth rates. While there are many factors that affect the growth in investment, it is reasonable to expect that growth in lines would be a major determinant of the growth in investment. An exact determination of that relationship would require additional information not available at this time, and there is no evidence to support a one-to-one relationship where a 10 percent increase in lines should generate a 10 percent increase in investment. However, it is reasonable to assert that a 311 percent increase in special access lines should generate a special access investment increase that is substantially greater than the switched access investment increase that is associated with 26 percent decrease in switched access lines. The fact that Verizon Massachusetts recorded a 17 percent increase and AT&T California recorded an 18 percent increase for both switched and special access investment clearly indicates that the separation freeze is distorting recorded investment. Far too little investment is being recorded as special access investment and excessive amounts of investment are being recorded in all other accounts.

20. Fourth, the failure to directly assign special access investment contributes to excessive reported rate of return for special access services, and in turn reduces the rate of return associated with other services. The low rate of return for other services may induce carriers to ask for rate increases for basic services or to provide a defense for not reducing basic service prices.

21. Special Access reported returns and excess earnings by holding company are shown in Table Two.[22] Excess earnings are calculated in Table Two as the difference between reported earnings and 11.25 percent (the FCC's interstate allowed rate of

return) times the special access rate base. The rate of return for the holding companies ranges from 42 to 109 percent on investment, while the combined excess earnings exceeds $7 billion. These returns are clearly affected by the failure to directly assign special access investment.

Table Two[23]

	Special Access Return and Earnings ($ thousands)					
Year	2003		2004		2005	
Holding Company	Rate of Return	Over Earnings	Rate of Return	Over Earnings	Rate of Return	Over Earnings
AT&T	60.3%	1,972,308	73.0%	2,145,280	91.7%	2,525,367
BellSouth	69.1%	1,173,118	81.9%	1,340,770	98.4%	1,554,366
Qwest	65.8%	887,723	75.1%	868,624	109.4%	1,113,256
Verizon	23.1%	963,403	31.6%	1,501,306	42.0%	2,048,250

22. The improper assignment of special access investment and the resulting excessive reported special access profits destroys the Commission's ability to measure the impact of its policy changes. For example, the Commission has allowed carriers to flexibly price special access in many markets. The rational for flexible pricing is that these markets are competitive.[24] However, it is nearly impossible to claim that any market is competitive where reported profits range from 42 to 109 percent. At least one wireless carrier has asked Congress to change the Telecommunications Act to require the Commission to re-regulate special access rates.[25] Whether or not there are some special access markets that are competitive is not the subject of this affidavit.

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[22] The rate of return and excess earnings by carrier are provided in Appendix C.
[23] Data Source is the ARMIS 43-01 Reports
[24] In the Matter of Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1, FCC 99-206, *Fifth Report and Order and Further Notice of Proposed Rulemaking*, released August 27, 1999.
[25] Written Testimony of Robert S. Foosaner, Senior Vice President-Government Affairs, Sprint Nextel Corporation on S.2686, The Communications Consumers' Choice and Broadband Deployment Act of 2006, Before the U.S. Senate Committee On Commerce, Science and Transportation. June 13, 2006.

However, the separations Freeze, as implemented by the carriers, clearly limits the ability of a rational person to determine whether such competition exists.

23. More importantly, the improper assignment of special access investment and related costs reduces the rate of return associated with universal service offerings. These low rates of return contribute to the maintenance of high basic service rates, lower telephone penetration rates and the false belief that basic service rates are subsidized.

24. Because rationale and effective policy decision-making requires accurate reporting, and the current reporting practices clearly distort relevant levels of investment, cost and return, I recommend that the Commission require ILECs to directly assign special access investment. This requirement should not generate excessive administrative costs. Rate-of-return carriers are able to perform the studies that allow a carrier to directly assign investment. If the rate-of-return carriers can perform the studies despite their limited resources and the fact that they do not enjoy the economies of scale that a price-cap carrier would achieve in performing the studies, it is reasonable to expect that price-cap carriers will be able to perform the required studies without incurring excessive administrative expenses.

III. Non-regulated Broadband Services and the Separations Process

A. The Growth in Broadband Services

25. Broadband services include data and video services. The major data service provided by the incumbent local exchange carriers (ILECs) is asymmetric digital subscriber line (ADSL). The number of ADSL customers has exploded from approximately

370,000 customers in December 1999 to over 1.9 million customers in December 2005.[26]

26. Verizon and AT&T are rolling out video services. Verizon is building a fiber-to-the-premise network. This network allows Verizon to provide "the bandwidth and speed to make available an array of new services called FIOS: super-fast, high speed Internet Access, crystal clear voice and a full suite of video services."[27] Verizon has deployed its fiber to the home network in at least 16 states and over 137 communities. AT&T is providing video services as part of its Project Lightspeed. As part of this project, AT&T is building fiber-to-the-premise and fiber-to-the-neighborhood networks. It is adding 40,000 miles of fiber to its local networks.[28] The AT&T service package is called U-verse. The U-verse package builds a strategy around integrating three screens (video, computer and wireless) along with telephone service to provide a quadruple play.[29]

27. At least three states, Texas, New Jersey and Virginia, have approved statewide video franchising procedures.[30] Telephone companies are aggressively urging other states and Congress to reform video franchising laws to allow telephone companies to enter video markets.[31] Communities with video franchising authority are allowing

[26] FCC, Industry Analysis and Technology Division, "High Speed Services for Internet Access: Status as of December 31, 2005," http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-266596A1.pdf., Table 1.
[27] http://newscenter.verizon.com/kit/fiber/
[28] http://att.sbc.com/gen/press-room?pid=5838
[29] http://att.sbc.com/Common/files/pdf/AT&T-3_ScreensFactSheet_0530.pdf
[30] http://www.telecomweb.com/news/tpr/18527.html; http://www.washingtonpost.com/wp-dyn/content/article/2006/03/10/AR2006031001930.html; http://www.heartland.org/Article.cfm?artId=18899.
[31] http://newscenter.verizon.com/proactive/newsroom/release.vtml?id=93654; http://newscenter.verizon.com/proactive/newsroom/release.vtml?id=93244.

telephone carriers into video markets.[32] Thus, in the near future, it is expected that telephone carriers will have a significant number of video customers.

B. The Current Accounting Procedures for ADSL Service.

28. The Commission has established two regulatory regimes for ADSL service. First, it found that ADSL is an interstate special access service. The Commission noted that ADSL service may provide both intrastate and interstate service. However, it agreed with GTE in finding that under the Commission's "ten percent" rule the entire service should be subject to federal regulation.[33]

29. The National Association of Regulatory Utility Commissioners (NARUC) filed a request for clarification of the GTE DSL Order.[34] NARUC requested the Commission to clarify the question of whether there needed to be a change in the Part 36 rules to accommodate the GTE DSL service. NARUC noted that under current rules, investments associated with interstate special services are directly assigned to the interstate jurisdiction.[35] The Commission refused to make a determination with regard to the request. Instead, it found that the issue of cost allocation was beyond the scope of the particular proceeding and referred the issue to the Federal-State Separations Joint Board.[36]

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[32] http://newscenter.verizon.com/kit/fiber/layout-fiostv.vtml
[33] In the Matter of GTE Telephone Operating Cos., CC Docket No. 98-79, FCC 98-79, *Memorandum and Order*, released October 30, 1998 (GTE DSL Order)
[34] Request for Clarification and/or Reconsideration of the National Association of Regulatory Utility Commissioners, CC Docket No. 98-79, filed November 30, 1998, http://gullfoss2.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6005545687.
[35] Id., pages 3-7.
[36] In the Matter of GTE Telephone Operating Cos., CC Docket No. 98-79, FCC 99-41, *Memorandum and Order*, released February 26, 1999.

30. The Commission next decided that ADSL service is no longer a telecommunications service. Rather it is the telecommunications portion of an information service.[37] Normally, a carrier would have to apply the Part 64 rules to allocate a portion of the joint use plant to the non-regulated service. However, the Commission decided to allow the carriers to forgo using the Part 64 rules, and to continue to treat the newly non-regulated service as a regulated service for the purpose of cost allocation.[38]

31. Thus, it appears that the current accounting treatment of ADSL service is to include the revenue in the interstate jurisdiction, and to ignore ADSL cost allocation issues. The C&WF used to provide ADSL service are considered Category 1.3 loops. The interstate jurisdiction was allocated 25 percent of the cost of those loops prior to the provision of ADSL service, but the 25 percent allocation is not changed by the use of the loop to provide ADSL service. Therefore, the interstate jurisdiction receives the additional revenue associated with the service but does not include any cost associated with the provision of the service.

C. The Current Accounting Procedures for Video Services.

32. Video services are non-regulated services. Investments that provide both regulated and non-regulated services should be allocated according to the Part 64 rules. With regard to outside plant investment, the Part 64 rules state:

> The allocation of central office equipment and outside plant investment costs between regulated and non-regulated activities shall be based upon the relative usage of the investment during the calendar year when non-regulated usage is greatest in comparison to regulated usage during the three calendar years beginning with the calendar year during which the investment usage forecast is filed.[39]

[37] Wireline Broadband Order, ¶5.
[38] Id., ¶128.
[39] 47 C.F.R. §64.901(b)(4).

33. Accordingly, even if a carrier is not currently providing video services, but expects to provide service in the near future, it should allocate a portion of the jointly used plant to the non-regulated sector in the current year.

34. Many carriers are just beginning to provide video service. The justification for investment in video equipment and fiber networks probably includes significant ramp-ups of customer video take rates. However, inspection of carrier filings reveals that carriers do not appear to be forecasting large increases in video services. Table 3 shows the non-regulated C&WF investment for eight carriers. Verizon Pennsylvania is allocating zero investment to the non-regulated sector in 2005. This occurs even though Verizon: 1) previously allocated a positive amount to the non-regulated sector, 2) is building its fiber-to-the-premise network that supports FiOS services in numerous Pennsylvania communities,[40] and 3) is urging the state to pass statewide video franchising legislation.[41] Table 3 also shows that AT&T Texas reports very little non-regulated investment and that the level of non-regulated investment has not changed in the past three years. This is in a state where there is a statewide franchise and AT&T Texas has aggressively promoted its video services.[42]

[40] http://newscenter.verizon.com/kit/fiber/layout-releasesbystate.vtml.
[41] http://newscenter.verizon.com/proactive/newsroom/release.vtml?id=93654.
[42] http://www.heartland.org/Article.cfm?artId=18899, http://att.sbc.com/gen/press-room?pid=5838.

Table 3[43]

Non-Regulated C&WF Investment ($ thousands)			
Year	2005	2004	2003
AT&T California	11,349	11,349	11,349
AT&T Texas	23	23	23
BellSouth North Carolina	10,028	9,965	9,140
BellSouth Tennessee	6,914	6,893	6,658
Qwest Colorado	-	-	-
Qwest Washington	-	-	-
Verizon Massachusetts	23,807	-	-
Verizon Pennsylvania	-	2,464	-

35. Table 3 highlights the difference between a reasonable expectation and the carriers' actual practices. It appears that the carriers are not following the rules. That is, insufficient plant is being assigned to the non-regulated sector. It is not clear if the carriers are deliberately providing low estimates of non-regulated service usage or if it is just hard to develop the estimates. The Commission has acknowledged that the Part 64 rules are hard to implement.[44] Therefore, I recommend that Commission adopt the alternative approach I will discuss below to allocating jointly used plant between the regulated and the non-regulated sectors.

D. An Alternative Approach to Allocating Investment to the Non-Regulated Sector.

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[43] Data source is ARMIS 43-03 Reports. Data for the other Bell Operating Companies are provided in Appendix D.
[44] Wireline Broadband Order, ¶134-135.

36. I recommend that the Commission adopt the following gross allocators of C&WF Category 1.3 plant for the purposes of allocating plant between the non-regulated and regulated services. First, for lines serving customers who purchase only telephone services, the current 25 percent interstate gross allocator should be retained. Second, for lines serving customers who purchase ADSL service and not video service, the interstate gross allocator should be set at 50 percent, and for lines serving with customers who purchase video service, the interstate gross allocator should be set at 75 percent.

37. The following example illustrates the impact of the recommended rule. Assume that a carrier has 100 customers, with 40 customers purchasing voice only, 30 purchasing ADSL and not video, and 30 purchasing video services. Under the current practices, the carrier would allocate only 25 percent of the loop investment to the interstate jurisdiction. Under my recommendation, however, the interstate jurisdiction would be assigned 47.5 percent (the sum of 40 lines times 25 percent plus 30 lines times 50 percent plus 30 lines times 75 percent) of the loop investment. This weighted average gross allocator would be defined as the adjusted gross allocator and would be used to allocate Category 1.3 plant.

38. The recommendation is administratively simple. The carriers would only have to record their line counts by the type of service sold. Such data are easy to find and compile. They would not have to perform any special studies.

39. States that adopt these procedures would not have to open their own Part 64 type proceedings to deal with the growth in ADSL and video services. This would reduce

the administrative burden of the growth in non-regulated services on the industry and on the state commissions.

40. This would establish nation-wide consistent treatment of non-regulated services.[45] This uniformity will promote investment and reduce the risk associated with the investments.

41. The cost of my recommended rule is that customers purchasing regulated services will finance the building of the non-regulated network until the carrier is selling significant amounts of non-regulated services. This differs from the current Part 64 rule that directs the carriers to assign investment on forecasted sales rather than on actual sales. However, because it appears that the forecasted sales have not actually been used to assigned investment, and thus, regulated customers are currently financing these networks, in the short term regulated customers will not experience a change. However, in the long term, the customers of regulated services will benefit because a reasonable amount of investment, an amount that can be accurately measured and recorded, will be assigned to the non-regulated sector as carriers sell these non-regulated services to increasing numbers of customers.

IV. Traffic Sensitive Issues

42. Traffic sensitive (TS) costs are costs that vary with usage. With the adoption of the Part 36 rules, the Commission found that circuit switches should be considered traffic sensitive equipment.[46] From January 1, 1993 to July 1, 2001, switches were allocated between the jurisdiction on the basis of relative usage. Dial equipment minutes

[45] While states would not be preempted by the federal guideline for allocating costs to the non-regulated sector, I believe that most states would adopt a reasonable federal guideline.
[46] MTS and WATS Market Structure, Amendments of Part 67 (New Part 36) of the Commission's Rules and the Establishment of a Federal-State Joint Board, *Report and Order*, 2 FCC Rcd 2639 (1987).

(DEM) is the metric employed to measure switch usage. Switch investment was allocated on the basis of the relative number of interstate and state DEMs.[47] Beginning in July 1, 2001, the DEM allocator was frozen at the average DEM that existed for the twelve months ending December 31, 2000.[48]

43. The Commission requested comment on whether it is feasible to replace the DEM factor with a fixed allocator.[49] One of the reasons for adopting a fixed factor is that switching technology is transiting from circuit switching to packet switching and the industry has developed a metric that measures usage on a packet switch. Also complicating the issue is the growth of Internet traffic. For the purpose of traffic studies, carriers have counted Internet minutes as local minutes, even though the Commission has declared Internet traffic to be interstate traffic. The growth in Internet traffic, therefore, increases the percentage of switching investment that is assigned to the local jurisdiction. The Joint Board recommended that a part of local traffic be added to the Interstate traffic in recognition of the growth of Internet traffic.[50] However, the Commission refused to adopt that recommendation.[51]

44. The causes of the transition to packet switching are complex. However, several of the determinants of that transition include the desire to integrate voice transmission with

[47] 47 C.F.R. §36.125(b). Between 1988 and 1993 the new rule was phased-in, gradually replacing the old rule, which had allocated switch costs using a variety of TS and non-TS allocators. Carriers with less than 50,000 lines per study area were allowed to use the weighted DEM system.
[48] 47 C.F.R. §36.125(I).
[49] Order and FNPRM, ¶30 and Appendix B, page 11.
[50] In the Matter of the Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, CC Docket No. 80-286, FCC 00J-2, *Recommended Decision*, released July 21, 2000, ¶28-30.
[51] Freeze Order, ¶42.

the Internet, and the cost advantages of packet networks in the provision of data and high-speed services.[52]

45. Because packet switching technology is being used to provide enhanced data communications, it is advantageous to allocate packet switches based on a factor that measures the increased use of the network for data and information purposes. However, it may be difficult to accurately measure the data traffic because carriers, as common carriers, should not be inspecting the packets as the packets move about the network. A reasonable proxy for the increase in data and high-speed services usage is the number of customers purchasing ADSL and video services. The adjusted gross allocator discussed above in paragraph 36 is a fixed factor that changes annually with the changes in consumer demand for voice, data and video services. Thus, the adjusted gross allocator would be a reasonable proxy for the relative usage of the network.

46. Adopting the adjusted gross allocator used to allocate C&WF Category 1.3 plant as the allocator of packet switches simplifies the separations process by reducing the need to measure traffic. It also assigns switching costs on the basis of the switch use.

47. With regard to the remaining legacy circuit switches, it is possible and reasonable to reinstate DEM measurable studies. The results of these studies should be augmented by a measure of Internet traffic so that Internet traffic no longer distorts the relative state and interstate usage pattern. While it might be difficult to identify all Internet traffic, there are two types of Internet traffic that should be easy to identify. First, all traffic that terminates at an ISP that is affiliated with the carrier should be counted as

[52] Ray Horak with Mark A. Miller, *Systems and Networks: Voice, Data and Broadband Technologies*, pages 20-212;Terrence McGarty and Lee Mcknight, "Virtually Global Telcos: International Internet

Interstate traffic. Second, any ISP-Bound traffic terminating at a CLEC should also be counted as Internet traffic.[53] These two traffic streams can be identified and are defined as interstate traffic.

V. Universal Service Issues

A. The HCL mechanism

48. The HCL mechanism provides support to rural carriers based on the difference between the carrier's study area loop cost of service and the national average loop cost of service.[54] The loop cost algorithm determines the revenue requirement or cost of service for each study area. The algorithm develops the cost associated with un-separated C&WF Category One Investment.

49. Because the study area cost is determined prior to separation, a change from the current gross allocator to the recommended adjusted gross allocator will not affect the study area cost, and thus will not affect rural carrier support.

50. Direct assignment of special access investment may transfer cost from Category One to other categories and thus will affect the rural carrier's cost. However, rate of return carriers currently directly assign special access investment and thus, for rate of return rural carriers, a requirement to directly assign special access will not change the current reported costs or support levels. However, for the 105 price-cap carriers out of total of 1356 rural carriers,[55] the requirement to directly assign special access would be a change from their current accounting procedures and would lead to changes in cost and support. The reduction in support associated with this

Telephony Architectures," in *Internet Telephony*, edited by Lee Mcknight, William Lehr and David Clark.
[53] In the Matter of ISP-Bound Traffic, CC Docket No. 99-68, FCC 01-131, Order on Remand and Report and Order, released April 27, 2001.
[54] 47 C.F.R. §36.631.

mechanism would probably be very small and would be offset by the benefits that all consumers would gain for a reasonable allocation of investment among the categories.

51. In addition, the Missoula Plan for intercarrier compensation includes a provision to re-base the high cost fund.[56] Re-basing the fund requires the Commission to lift the fund cap for an instance in time, and then recalculate the fund size without the fund cap. The support would depend only on the difference between the national average and carriers' study area cost and would not be limited by the fund cap. There are two ways to re-base the fund. First, the fund could be re-based using the frozen $240 national average cost.[57] If the frozen national average cost is used, then the Missoula Plan would not be affected by changes to non-rural carriers' costs. The second re-basing method would use the actual national average cost. The national average cost includes the cost of both rural and non-rural carriers. This average cost would be affected by a requirement for the non-rural carriers to directly assign special access investment. It is not clear which re-base method the Missoula Plan is supporting.

B. The ICLS mechanism

52. Support provided by the ICLS mechanism is based on the difference between the common line revenue requirement and common line revenues.[58] The common line revenue requirement depends on the amount of C&WF Category 1.3 plant that is allocated to the interstate jurisdiction. Adopting the above-recommended adjusted

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[55] USAC FCC filings, HC05 and HC12 for the fourth quarter 2006.
[56] Letter from Tony Clark, Commissioner and Chair, NARUC Committee on Telecommunications, Ray Baum Commissioner and Chair, NARUC Task Force, and Larry Landis, Commissioner and Vice-Chair, NARUC Task Force, CC Docketn No. 01-92, at 2 (filed July 24, 2006) (attaching the Missoula Plan).
[57] 47 C.F.R. §36.222(a)
[58] 47 C.F.R. §54.901(a)

gross allocator would increase the amount of C&WF Category 1.3 plant allocated to the interstate jurisdiction and therefore, it would increase the common line revenue requirement and ICLS support. However, the Commission could prevent the increase in support from occurring by finding that the common revenue requirement used for the purposes of determining ICLS should be based on the current 25 percent gross allocator. This finding is consistent with the requirement that universal service support should be used only for support of the designated services, and broadband services are not included in the list of designated services.

VI. Additional Data Requests

53. The data requests attached to the notice are designed to gather information that will help the Joint Board in its deliberations. However, there is a need to add a few more questions to the list. I recommend the following:

1) For each study area, provide the information reported in the ARMIS Report 43-02, Table B-1B and Table B-5 for circuit switches and packet switches, and for cable sub-accounts, where the sub-accounts provide information on fiber and copper cable separately for the years 2000 to 2005.
2) For each study area, provide the year when you expect the circuit switching account's accumulated depreciation to equal 90 percent of the gross investment.
3) If you provide ADSL service as part of an unregulated service, for each study area, provide the amount of revenue received by the affiliate from the sale of unregulated service that uses the ADSL service. Also, provide the amount of

revenue that the regulated entity receives from non-regulated affiliate for the provision of the ADSL portion of the service for the year 2005.

4) For each study area, provide the actual and forecasted number of video customers for the years 2005, 2006 and 2007.

5) For each study area, explain how you developed the estimate of non-regulated cable investment reported in the ARMIS 43-03 Report, row 2410 for the year 2005. Include in that explanation a discussion of how the forecasted number of video customers affects the reported cable investment value. Provide all work papers used to generate the 2005 non-regulated cable investment.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

____

Executed on August 18, 2006

Appendix C

	Special Access ($ thousands)							
Year	2003			2004			2005	
carrier	Rate of Return	Over Earnings		Rate of Return	Over Earnings		Rate of Return	Over Earnings
BellSouth-Florida	88.16%	364,317		116.60%	462,936		132.06%	501,095
BellSouth-Georgia	62.32%	295,013		53.98%	239,158		77.41%	347,328
BellSouth-North Carolina	49.68%	103,049		63.12%	129,347		69.85%	141,147
BellSouth-South Carolina	57.21%	53,416		78.02%	72,589		94.25%	85,006
BellSouth-Alabama	66.15%	77,730		81.15%	92,658		98.88%	111,451
BellSouth-Kentucky	67.80%	48,389		90.75%	60,140		107.48%	66,921
BellSouth-Louisiana	100.42%	95,127		123.73%	109,600		123.53%	99,590
BellSouth-Mississippi	95.56%	47,541		124.20%	57,152		160.77%	68,570
BellSouth-Tennessee	55.43%	88,537		74.89%	117,190		89.71%	133,260
BellSouth Total	69.14%	1,173,118		81.90%	1,340,770		98.37%	1,554,366

	Special Access ($ thousands)					
Year	2003		2004		2005	
carrier	Rate of Return	Over Earnings	Rate of Return	Over Earnings	Rate of Return	Over Earnings
Southwestern - Arkansas	135.61%	64,027	146.83%	68,251	197.75%	77,508
Southwestern - Kansas	88.30%	67,392	88.56%	64,723	123.67%	80,497
Southwestern - Missouri	57.40%	124,268	53.91%	106,959	72.74%	138,462
Southwestern - Oklahoma	96.01%	72,706	101.96%	72,463	165.64%	99,258
Southwestern - Texas	25.49%	189,244	30.60%	238,359	37.34%	297,905
Pacific Bell - California	62.94%	533,180	85.22%	590,833	114.31%	726,163
Nevada Bell	72.89%	14,219	117.88%	18,542	160.83%	21,447
Southern New England Telephone	87.35%	150,114	90.30%	133,890	113.11%	151,031
Illinois Bell	135.51%	293,299	169.75%	308,269	204.24%	348,709
Indiana Bell	58.77%	59,810	75.85%	69,246	97.09%	85,080
Michigan Bell	116.02%	199,384	154.94%	230,609	168.21%	232,031
Ohio Bell	56.55%	118,245	80.29%	149,630	97.78%	166,839
Wisconsin Bell	75.44%	86,420	94.32%	93,506	106.24%	100,438
AT&T Total	60.28%	1,972,308	73.02%	2,145,280	91.73%	2,525,367

	Special Access ($ thousands)					
Year	2003		2004		2005	
carrier	Rate of Return	Over Earnings	Rate of Return	Over Earnings	Rate of Return	Over Earnings
Qwest-Arizona	71.77%	133,847	62.12%	96,041	100.75%	143,609
Qwest-Colorado	69.36%	171,099	90.55%	192,897	123.89%	235,546
Qwest-Idaho South	70.09%	27,510	85.56%	29,668	133.62%	36,639
Qwest-Montana	60.51%	15,072	70.19%	14,816	105.55%	18,597
Qwest-New Mexico	81.33%	44,279	102.22%	49,244	137.57%	61,501
Qwest-Utah	51.90%	60,685	63.17%	64,153	93.67%	85,222
Qwest-Wyoming	144.12%	21,951	194.20%	23,234	273.68%	25,957
Qwest-Iowa	57.27%	46,115	64.47%	44,306	106.95%	66,853
Qwest-Minnesota	59.77%	111,323	63.12%	99,173	101.05%	143,443
Qwest-Nebraska	56.19%	29,510	70.38%	29,309	120.31%	36,424
Qwest-North Dakota	68.23%	12,076	80.80%	11,921	112.84%	13,728
Qwest-South Dakota	54.87%	13,411	59.14%	12,668	67.51%	13,175
Qwest-Idaho North	93.92%	1,611	82.30%	1,581	161.85%	2,083
Qwest-Oregon	66.03%	67,329	71.69%	64,150	104.74%	80,487
Qwest-Washington	68.09%	131,905	79.99%	135,462	101.93%	149,992
Qwest Total	65.84%	887,723	75.09%	868,624	109.42%	1,113,256

	Special Access ($ thousands)					
Year	2003		2004		2005	
carrier	Rate of Return	Over Earnings	Rate of Return	Over Earnings	Rate of Return	Over Earnings
Verizon-Washington D.C.	22.28%	31,785	19.72%	20,856	26.03%	28,231
Verizon-Maryland	22.66%	61,616	34.56%	112,506	47.46%	156,380
Verizon-Virginia	54.03%	182,404	72.63%	226,823	90.25%	257,105
Verizon-West Virginia	44.74%	23,276	67.55%	33,959	83.45%	36,681
Verizon-Delaware	55.62%	29,372	65.43%	32,263	75.64%	37,017
Verizon-Pennsylvania	40.30%	232,900	49.70%	271,060	56.62%	288,557
Verizon-New Jersey	37.46%	206,081	51.38%	268,964	76.59%	354,340
Verizon NE - Maine	34.62%	18,655	41.79%	22,113	76.83%	42,127
Verizon NE - Massachusetts	4.19%	-	7.74%	-	12.59%	10,877
Verizon NE - New Hampshire	21.19%	12,540	29.56%	21,515	38.11%	29,826
Verizon NE - Rhode Island	18.05%	4,270	23.53%	6,853	38.46%	13,472
Verizon NE - Vermont	27.94%	6,682	41.78%	11,496	55.77%	16,150
Verizon New York Telephone	-4.44%	-	-0.26%	-	5.40%	-
Former Bell Atlantic	16.53%	355,053	23.75%	744,103	32.51%	1,148,378

Verizon Continued

GTE California	48.22%	126,158	67.66%	231,396	68.94%	241,642
Contel Arizona	102.04%	137	179.69%	166	-340.74%	-
Contel California	313.80%	21,849	283.08%	30,219	237.92%	25,366
Contel Nevada	92.28%	1,679	93.25%	1,607	123.30%	2,205
Verizon Florida	61.95%	91,957	84.05%	114,828	120.26%	148,723
Verizon Hawaii	36.45%	27,353	22.03%	11,790	0.00%	-
Verizon NO-Illinois	55.34%	20,698	60.35%	24,698	67.98%	28,947
Verizon NO-Indiana	52.32%	26,217	56.02%	24,676	64.65%	37,850
Verizon NO-Michigan	56.85%	15,533	61.55%	18,941	80.06%	23,566
Verizon NO-Ohio	61.03%	20,538	61.97%	20,716	80.40%	27,540
Verizon NO-Pennsylvania	42.86%	10,698	66.24%	19,401	192.43%	52,281
Verizon NO-Wisconsin	46.37%	7,259	52.46%	8,092	76.95%	11,098
Verizon NO-Contel/Pennsylvania	77.09%	1,565	54.98%	1,251	47.18%	930
Verizon NO-Contel/Quaker State	13.27%	34	17.97%	135	40.50%	483
Verizon NO-Contel/Indiana	98.53%	8,605	93.23%	8,695	138.32%	11,117
Verizon NO-Contel/Illinois	119.33%	5,961	73.36%	5,512	76.89%	6,694
Verizon NW-Idaho	89.22%	9,793	75.30%	6,722	117.63%	8,920
Verizon NW-Oregon	60.78%	28,463	75.45%	32,355	87.20%	36,308
Verizon NW-Washington	69.67%	65,731	79.65%	69,884	84.78%	70,666
Verizon NW-West Coast California	-27.63%	-	-23.65%	-	-61.74%	-
Verizon NW-Contel Washington	67.89%	3,999	70.76%	5,291	87.63%	5,774
Verizon SO-North Carolina	34.10%	7,773	-5.68%	-	-33.30%	-
Verizon SO-South Carolina	59.91%	5,574	114.67%	10,616	116.69%	8,398
Verizon SO-Virginia	51.49%	1,433	79.81%	1,918	78.91%	1,570
Verizon SO-Illinois	42.68%	321	32.10%	216	31.02%	211
Verizon SO-Contel-North Carolina	51.78%	1,649	23.65%	547	-9.02%	-
Verizon SO-Contel-South Carolina	68.18%	831	38.16%	343	-97.99%	-
Verizon SO-Contel-Virginia	47.21%	17,505	53.68%	19,393	86.61%	31,996
Verizon SW-Texas	49.40%	67,640	54.70%	74,018	64.41%	89,956
Verizon SW-Contel-Texas	12.00%	22	22.04%	355	33.77%	606
PRTC - Puerto Rico	-7.97%	-	95.72%	14,740	275.05%	38,303
PRTC - Puerto Rico Central	1868.27%	15,399	380.82%	3,883	309.17%	3,199
Total GTE	54.84%	608,350	64.84%	757,202	82.28%	899,872
Total Verizon	23.11%	963,403	31.64%	1,501,306	41.97%	2,048,250

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Qwest-Utah	51.90%	60,685	63.17%	64,153	93.67%	85,222
Qwest-Wyoming	144.12%	21,951	194.20%	23,234	273.68%	25,957
Qwest-Iowa	57.27%	46,115	64.47%	44,306	106.95%	66,853
Qwest-Minnesota	59.77%	111,323	63.12%	99,173	101.05%	143,443
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Verizon-Delaware	55.62%	29,372	65.43%	32,263	75.64%	37,017
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Verizon Florida	61.95%	91,957	84.05%	114,828	120.26%	148,723
Verizon Hawaii	36.45%	27,353	22.03%	11,790	0.00%	-
Verizon NO-Illinois	55.34%	20,698	60.35%	24,698	67.98%	28,947
Verizon NO-Indiana	52.32%	26,217	56.02%	24,676	64.65%	37,850
Verizon NO-Michigan	56.85%	15,533	61.55%	18,941	80.06%	23,566
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Verizon NO-Contel/Pennsylvania	77.09%	1,565	54.98%	1,251	47.18%	930
Verizon NO-Contel/Quaker State	13.27%	34	17.97%	135	40.50%	483
Verizon NO-Contel/Indiana	98.53%	8,605	93.23%	8,695	138.32%	11,117
Verizon NO-Contel/Illinois	119.33%	5,961	73.36%	5,512	76.89%	6,694
Verizon NW-Idaho	89.22%	9,793	75.30%	6,722	117.63%	8,920
Verizon NW-Oregon	60.78%	28,463	75.45%	32,355	87.20%	36,308
Verizon NW-Washington	69.67%	65,731	79.65%	69,884	84.78%	70,666
Verizon NW-West Coast California	-27.63%	-	-23.65%	-	-61.74%	-
Verizon NW-Contel Washington	67.89%	3,999	70.76%	5,291	87.63%	5,774
Verizon SO-North Carolina	34.10%	7,773	-5.68%	-	-33.30%	-
Verizon SO-South Carolina	59.91%	5,574	114.67%	10,616	116.69%	8,398
Verizon SO-Virginia	51.49%	1,433	79.81%	1,918	78.91%	1,570
Verizon SO-Illinois	42.68%	321	32.10%	216	31.02%	211
Verizon SO-Contel-North Carolina	51.78%	1,649	23.65%	547	-9.02%	-
Verizon SO-Contel-South Carolina	68.18%	831	38.16%	343	-97.99%	-
Verizon SO-Contel-Virginia	47.21%	17,505	53.68%	19,393	86.61%	31,996
Verizon SW-Texas	49.40%	67,640	54.70%	74,018	64.41%	89,956
Verizon SW-Contel-Texas	12.00%	22	22.04%	355	33.77%	606
PRTC - Puerto Rico	-7.97%	-	95.72%	14,740	275.05%	38,303
PRTC - Puerto Rico Central	1868.27%	15,399	380.82%	3,883	309.17%	3,199
Total GTE	54.84%	608,350	64.84%	757,202	82.28%	899,872
Total Verizon	23.11%	963,403	31.64%	1,501,306	41.97%	2,048,250

Appendix A

Statement of Qualifications of Susan M. Baldwin

SUSAN M. BALDWIN
17 Arlington Street
Newburyport, MA 01950
978-255-2344 (v) ▪ 978-255-2455 (f)
smbaldwin@comcast.net

Susan M. Baldwin is presently an independent consultant to public sector agencies. Ms. Baldwin has been actively involved in public policy for twenty-eight years, twenty-two of which have been in telecommunications policy and regulation. Ms. Baldwin received her Master of Economics from Boston University, her Master of Public Policy from Harvard University's John F. Kennedy School of Government, and her Bachelor of Arts degree in Mathematics and English from Wellesley College.

Ms. Baldwin has extensive experience both in government and in the private sector. Since 2001, Ms. Baldwin has been advising and testifying on behalf of public sector agencies as an independent consultant. Recently, she has testified on behalf of the New Jersey Division of the Ratepayer Advocate in several major proceedings including Verizon's acquisition of MCI, SBC's acquisition of AT&T, and Sprint's spin-off of its local operations. Ms. Baldwin has also assisted the Ratepayer Advocate in preparing comments in diverse Federal Communications Commission proceedings.

Also in her capacity as an independent consultant, she provided comprehensive technical assistance to the Massachusetts Department of Telecommunications and Energy (DTE), serving as a direct advisor in a comprehensive investigation of recurring and nonrecurring costs for unbundled network elements (UNEs). She sponsored testimony in a numbering resource and virtual "NXX" proceeding on behalf of the Iowa Office of Consumer Advocate; on UNE cost studies on behalf of the Illinois Citizens Utility Board; on Qwest's petition to reclassify certain services as competitive on behalf of the Attorney General of the State of Washington; on Verizon's requests to raise basic local exchange rates and to reclassify small business local exchange service as competitive, on behalf of the New Jersey Division of the Ratepayer Advocate, and on CenturyTel's request to raise rates on behalf of the Arkansas Attorney General's Office.

Ms. Baldwin also worked on behalf of consumer advocates in the state *Triennial Review Order* ("TRO") proceedings. She prepared comprehensive testimony analyzing mass market impairment on behalf of the New Jersey Division of the Ratepayer Advocate, the Arkansas Office of the Attorney General, and the Utah Committee of Consumer Services. Testimony was not filed in Arkansas or Utah because of the DC Circuit Court ruling in USTA v. FCC, which caused these states to postpone their investigations of impairment. Ms. Baldwin also prepared detailed affidavits on behalf of the New Jersey Division of the Ratepayer Advocate and on behalf of the Utah Committee of Consumer Services, which were submitted in the Federal Communication Commission's rulemaking proceeding on network unbundling.

Ms. Baldwin has testified before the Arkansas Public Service Commission, California Public Utilities Commission, Colorado Public Utilities Commission, Connecticut Department of

Public Utility Control, Idaho Public Utilities Commission, Illinois Commerce Commission, Indiana Utility Regulatory Commission, Iowa Utilities Board, Massachusetts Department of Telecommunications and Energy, Nevada Public Service Commission, New Jersey Board of Regulatory Commissioners, Public Utilities Commission of Ohio, Rhode Island Public Utilities Commission, Tennessee Public Service Commission, Vermont Public Service Board, and Washington Utilities and Transportation Commission. Ms. Baldwin has also authored numerous comments submitted in various Federal Communications Commission proceedings.

She has also participated in projects in Delaware, the District of Columbia, Hawaii, Illinois, New York, Pennsylvania, and Canada on behalf of consumer advocates, public utility commissions, and competitive local exchange carriers. Ms. Baldwin has served in a direct advisory capacity to public utility commissions in the District of Columbia, Massachusetts, New Mexico, Utah and Vermont. Ms. Baldwin has also testified on behalf of public utility commission staff in Idaho and Rhode Island.

Ms. Baldwin worked with Economics and Technology, Inc. for twelve years, most recently as a Senior Vice President. Among her numerous projects were the responsibility of advising the Vermont Public Service Board in matters relating to a comprehensive investigation of NYNEX's revenue requirement and proposed alternative regulation plan. She participated in all phases of the docket, encompassing review of testimony, issuance of discovery, cross-examination of witnesses, drafting memoranda and decisions, and reviewing compliance filings. Another year-long project managed by Ms. Baldwin was the in-depth analysis and evaluation of the cost proxy models submitted in the FCC's universal service proceeding. Also, on behalf of the staff of the Idaho Public Utilities Commission, Ms. Baldwin testified on the proper allocation of US West's costs between regulated and non-regulated services. On behalf of AT&T Communications of California, Inc. and MCI Telecommunications Corporation, Ms. Baldwin comprehensively analyzed the non-recurring cost studies submitted by California's incumbent local exchange carriers.

Ms. Baldwin served as a direct advisor to the Massachusetts Department of Telecommunications and Energy (DTE) between August 2001 and July 2003, in Massachusetts DTE Docket 01-20, an investigation of Verizon's total element long run incremental cost (TELRIC) studies for recurring and nonrecurring unbundled network elements (UNEs). She assisted with all aspects of this comprehensive case in Massachusetts. Ms. Baldwin analyzed recurring and nonrecurring cost studies; ran cost models; reviewed parties' testimony, cross-examined witnesses, trained staff, met with the members of the Commission, assisted with substantial portions of the major orders issued by the DTE; and also assisted with the compliance phase of the proceeding.

Ms. Baldwin has participated in numerous investigations of the impact of proposed mergers of telecommunications carriers on consumers. Most recently, Ms. Baldwin sponsored testimony and a declaration on behalf of the New Jersey Division of the Ratepayer Advocate on Verizon's acquisition of MCI, and SBC's acquisition of AT&T. During the 1990s, Ms. Baldwin also sponsored testimony on behalf of the Nevada Bureau of Consumer Protection on the proposed merger of Sprint and WorldCom; sponsored testimony on behalf of the Office of Ratepayer Advocates (ORA) of the California Public Utilities Commission and also on behalf of the Washington Office of Attorney General in their respective investigations of the proposed merger of Bell Atlantic Corporation and GTE Corporation; co-managed assistance to the Hawaii Division of Consumer Advocacy in the analysis of the proposed BA/GTE merger; sponsored testimony on behalf of the Ohio Consumers' Counsel and the Indiana Office of Utility Consumer Counselor on the SBC/Ameritech merger; co-sponsored testimony on behalf of the Connecticut Office of Consumer Counsel on the impact of SBC's acquisition of SNET on consumers; co-authored affidavits submitted to the FCC on behalf of consumer coalitions on the SBC/Ameritech and BA/GTE mergers; and co-managed a project to assist the ORA analyze the California Public Utilities Commission's investigation of the merger of Pacific Telesis Group and SBC Communications.

Ms. Baldwin has contributed to the development of state and federal policy on numbering matters. On behalf of the Ad Hoc Telecommunications Users Committee, Ms. Baldwin participated in the Numbering Resource Optimization Working Group (NRO-WG), and in that capacity, served as a co-chair of the Analysis Task Force of the NRO-WG. She has also provided technical assistance to consumer advocates in the District of Columbia, Illinois, Iowa, Massachusetts, and Pennsylvania on area code relief and numbering optimization measures. Ms. Baldwin also co-authored comments on behalf of the National Association of State Utility Consumer Advocates in the FCC's proceeding on numbering resource optimization.

During her first years at ETI, Ms. Baldwin was the Director of Publications and Tariff Research, and, in that capacity, she trained and supervised staff in the analysis of telecommunications rate structures, services, and regulation.

Ms. Baldwin served four years as the Director of the Telecommunications Division for the Massachusetts Department of Public Utilities (the predecessor to the DTE), where she directed a staff of nine, and acted in a direct advisory capacity to the DPU Commissioners. (The Massachusetts DTE maintains a non-separated staff, which directly interacts with the Commission, rather than taking an advocacy role of its own in proceedings). Ms. Baldwin advised and drafted decisions for the Commission in numerous DPU proceedings including investigations of a comprehensive restructuring of New England Telephone Company's rates, an audit of NET's transactions with its NYNEX affiliates, collocation, ISDN, Caller ID, 900-type services, AT&T's request for a change in regulatory treatment, pay telephone and alternative operator services, increased accessibility to the network by disabled persons, conduit rates charged by NET to cable companies, and quality of service. Under her supervision, staff analyzed all telecommunications matters relating to the regulation of the then $1.7-billion telecommunications industry in Massachusetts, including the review of all telecommunications tariff filings; petitions; cost, revenue, and quality of service data; and certification applications. As a member of the Telecommunications Staff Committees of the New England Conference of Public Utility Commissioners (NECPUC) and the National Association of Regulatory Utility Commissioners (NARUC), she contributed to the development of telecommunications policy on state, regional, and national levels.

Ms. Baldwin has worked with local, state, and federal officials on energy, environmental, budget, welfare, and telecommunications issues. As a policy analyst for the New England Regional Commission (NERCOM), Massachusetts Department of Public Welfare (DPW), and Massachusetts Office of Energy Resources (MOER), she acquired extensive experience working with governors' offices, state legislatures, congressional offices, and industry and advocacy groups. As an energy analyst for NERCOM, Ms. Baldwin coordinated New England's first regional seminar on low-level radioactive waste, analyzed federal and state energy policies, and wrote several reports on regional energy issues. As a budget analyst for the DPW, she forecast expenditures, developed low-income policy, negotiated contracts, prepared and defended budget requests, and monitored expenditures of over $100 million. While working with the MOER, Ms. Baldwin conducted a statewide survey of the solar industry and analyzed federal solar legislation.

Ms. Baldwin received Boston University's Dean's Fellowship. While attending the Kennedy School of Government, Ms. Baldwin served as a teaching assistant for a graduate course in microeconomics and as a research assistant for the school's Energy and Environmental Policy Center, and at Wellesley College was a Rhodes Scholar nominee. She has also studied in Ghent, Belgium.

Record of Prior Testimony

In the matter of the Application of the New Jersey Bell Telephone Company for Approval of its Plan for an Alternative Form of Regulation, New Jersey Board of Regulatory Commissioners Docket No. T092030358, on behalf of the New Jersey Cable Television Association, filed September 21, 1992, cross-examined October 2, 1992.

DPUC review and management audit of construction programs of Connecticut's telecommunications local exchange carriers, Connecticut Department of Public Utility Control Docket No. 91-10-06, on behalf of the Connecticut Office of the Consumer Counsel, filed October 30, 1992, cross-examined November 4, 1992.

Joint petition of New England Telephone and Telegraph Company and Department of Public Service seeking a second extension of the Vermont Telecommunications Agreement, Vermont Public Service Board 5614, Public Contract Advocate, filed December 15, 1992, cross-examined December 21, 1992.

Application of the Southern New England Telephone Company to amend its rates and rate structure, Connecticut Department of Public Utility Control Docket No. 92-09-19, on behalf of the Connecticut Office of Consumer Counsel, filed March 26, 1993 and May 19, 1993, cross-examined May 25, 1993.

In the matter of the Application of Cincinnati Bell Telephone Company for Approval of an Alternative Form of Regulation and for a Threshold Increase in Rates, Public Utilities Commission of Ohio Case No. 93-432-TP-ALT, on behalf of Time Warner AxS, filed March 2, 1994.

Matters relating to IntraLATA Toll Competition and Access Rate Structure, Rhode Island Public Utilities Commission Docket 1995, on behalf of the Rhode Island Public Utilities Commission Staff, filed March

28, 1994 and June 9, 1994, cross-examined August 1, 1994.

In the Matter of the Application of The Ohio Bell Telephone Company for Approval of an Alternative Form of Regulation, Public Utilities Commission of Ohio Case No. 93-487-TP-ALT, on behalf of Time Warner AxS, filed May 5, 1994, cross-examined August 11, 1994.

In Re: Universal Service Proceeding: The Cost of Universal Service and Current Sources of Universal Service Support, Tennessee Public Service Commission Docket No. 95-02499, on behalf of Time Warner AxS of Tennessee, L.P., filed October 18, 1995 and October 25, 1995, cross-examined October 27, 1995.

In Re: Universal Service Proceeding: Alternative Universal Service Support Mechanisms, Tennessee Public Service Commission Docket No. 95-02499, on behalf of Time Warner AxS of Tennessee, L.P., filed October 30, 1995 and November 3, 1995, cross-examined November 7, 1995.

In the Matter of the Application of US West Communications, Inc. for Authority to Increase its Rates and Charge for Regulated Title 61 Services, Idaho Public Utilities Commission Case No. USW-S-96-5, on behalf of the Staff of the Idaho Public Utilities Commission, filed November 26, 1996 and February 25, 1997, cross-examined March 19, 1997.

A Petition by the Regulatory Operations Staff to Open an Investigation into the Procedures and Methodologies that Should Be Used to Develop Costs for Bundled or Unbundled Telephone Services or Service Elements in the State of Nevada, Nevada Public Service Commission Docket No. 96-9035, on behalf of AT&T Communications of Nevada, Inc., filed May 23, 1997, cross-examined June 6, 1997.

Rulemaking on the Commission's Own Motion to Govern Open Access to Bottleneck Services and Establish a Framework for Network Architecture; Investigation on the Commission's Own Motion into Open Access and Network Architecture Development of Dominant Carrier Networks, California Public Utilities Commission R.93-04-003 and I.93-04-002, co-authored a declaration on behalf of AT&T Communications of California, Inc., and MCI Telecommunications Corporation, filed on December 15, 1997 and on February 11, 1998.

Consolidated Petitions for Arbitration of Interconnection Agreements, Massachusetts Department of Telecommunications and Energy, DPU 96-73/74. 96-75, 96-80/81, 96-83, and 96-84, on behalf of AT&T Communications of New England, Inc. and MCI Telecommunications Corporation, filed February 3, 1998.

In the Matter of the Application of US West Communications, Inc. for Specific Forms of Price Regulation, Colorado Public Utilities Commission Docket No. 97-A-540T, on behalf of the Colorado Office of Consumer Counsel, filed on April 16, 1998, May 14, 1998 and May 27, 1998, cross-examined June 2, 1998.

Joint Application of SBC Communications and Southern New England Telecommunications Corporation for Approval of a Change of Control, Connecticut Department of Public Utility Control Docket No. 98-02-20, on behalf of the Connecticut Office of Consumer Counsel, filed May 7, 1998 and June 12, 1998, cross-examined June 15-16, 1998.

Fourth Annual Price Cap Filing of Bell Atlantic-Massachusetts, Massachusetts Department of Telecommunications and Energy Docket DTE 98-67, on behalf of MCI Telecommunications

Corporation, filed September 11, 1998 and September 25, 1998, cross-examined October 22, 1998.

Applications of Ameritech Corp., Transferor, and SBC Communications, Inc., Transferee, For Consent to Transfer Control, Federal Communications Commission CC Docket No. 98-141, co-sponsored affidavit on behalf of Indiana Utility Consumer Counselor, Michigan Attorney General, Missouri Public Counsel, Ohio Consumers' Counsel, Texas Public Utility Counsel and Utility Reform Network, filed on October 13, 1998.

In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware, Inc., Ameritech Corporation and Ameritech Ohio for Consent and Approval of a Change of Control, Public Utilities Commission of Ohio Case No.98-1082-TP-AMT, on behalf of Ohio Consumers' Counsel, filed on December 10, 1998, cross-examined on January 22, 1999.

GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer Control, Federal Communications Commission CC Docket No. 98-184, co-sponsored an affidavit on behalf of a coalition of consumer advocates from Delaware, Hawaii, Maine, Maryland, Missouri, Ohio, Oregon, West Virginia, and Michigan, filed on December 18, 1998.

In the Matter of the Joint Application of GTE and Bell Atlantic to Transfer Control of GTE's California Utility Subsidiaries to Bell Atlantic, Which Will Occur Indirectly as a Result of GTE's Merger with Bell Atlantic, California Public Utilities Commission A. 98-12-005, on behalf of the California Office of Ratepayer Advocate, filed on June 7, 1999.

In the Matter of the Investigation on the Commission's Own Motion Into All Matters Relating to the Merger of Ameritech Corporation and SBC Communications Inc., Indiana Utility Regulatory Commission Cause No. 41255, on behalf of the Indiana Office of Utility Consumer Counselor, filed on June 22, 1999 and July 12, 1999, cross-examined July 20, 1999.

In re Application of Bell Atlantic Corporation and GTE Corporation for Approval of the GTE Corporation - Bell Atlantic Corporation Merger, Washington Utilities and Transportation Commission UT-981367, on behalf of the Washington Attorney General Public Counsel Section, filed on August 2, 1999.

Application of New York Telephone Company for Alternative Rate Regulation, Connecticut Department of Public Utility Control Docket No. 99-03-06, on behalf of the Connecticut Office of Consumer Counsel, filed October 22, 1999.

In re: Area Code 515 Relief Plan, Iowa Utilities Board Docket No. SPU-99-22, on behalf of the Iowa Office of Consumer Advocate, filed November 8, 1999, and December 3, 1999, cross-examined December 14, 1999.

In re Application of MCI WorldCom, Inc. and Central Telephone Company - Nevada, d/b/a Sprint of Nevada, and other Sprint entities for Approval of Transfer of Control pursuant to NRS 704.329, Nevada Public Utilities Commission Application No. 99-12029, on behalf of the Nevada Office of the Attorney General, Bureau of Consumer Protection, filed April 20, 2000.

In re: Area Code 319 Relief Plan, Iowa Utilities Board Docket No. SPU-99-30, on behalf of the Iowa Office of Consumer Advocate, filed June 26, 2000 and July 24, 2000.

In re: Sprint Communications Company, L.P. & Level 3 Communications, L.L.C., Iowa Utilities Board Docket Nos. SPU-02-11 & SPU-02-13, filed October 14, 2002 and January 6, 2003, cross-examined February 5, 2003.

Illinois Bell Telephone Company filing to increase unbundled loop and nonrecurring rates (tariffs filed December 24, 2002), Illinois Commerce Commission Docket No. 02-0864, on behalf of Citizens Utility Board, filed May 6, 2003 and February 20, 2004.

Qwest Petition for Competitive Classification of Business Services, Washington Utilities and Transportation Commission Docket No. 030614, on behalf of Public Counsel, filed August 13, 2003 and August 29, 2003, cross-examined September 18, 2003.

In the Matter of the Application of CenturyTel of Northwest Arkansas, LLC for Approval of a General Change in Rates and Tariffs, Arkansas Public Service Commission Docket No. 03-041-U, on behalf of the Attorney General, filed October 9, 2003 and November 20, 2003.

In the Matter of the Board's Review of Unbundled Network Elements, Rates, Terms and Conditions of Bell Atlantic New Jersey, Inc., New Jersey Board of Public Utilities Docket No. TO00060356, on behalf of the New Jersey Division of the Ratepayer Advocate, filed January 23, 2004.

In the Matter of the Implementation of the Federal Communications Commission's Triennial Review Order, New Jersey Board of Public Utilities Docket No. TO03090705, on behalf of the New Jersey Division of the Ratepayer Advocate, filed February 2, 2004.

Unbundled Access to Network Elements, Review of the Section 251 Unbundling Obligations of Local Exchange Carriers, Federal Communications Commission WC Docket No. 04-313, CC Docket No. 01-338, sponsored affidavit on behalf of the New Jersey Division of the Ratepayer Advocate, filed October 4, 2004.

Unbundled Access to Network Elements, Review of the Section 251 Unbundling Obligations of Local Exchange Carriers, Federal Communications Commission WC Docket No. 04-313, CC Docket No. 01-338, sponsored affidavit on behalf of the Utah Committee of Consumer Services, filed October 4, 2004.

In the Matter of Verizon New Jersey, Inc. For a Revision of Tariff B.P.U.-N.J. – No. 2 Providing for a Revenue Neutral Rate Restructure Including a Restructure of Residence and Business Basic Exchange Service and Elimination of $.65 Credit, New Jersey Board of Public Utilities Docket No. TT04060442, on behalf of the New Jersey Division of the Ratepayer Advocate, filed December 22, 2004 and January 18, 2005.

In the Matter of the Application of Verizon New Jersey, Inc. for Approval (I) of a New Plan for an Alternative Form of Regulation and (II) to Reclassify Multi-Line Rate Regulated Business Services as Competitive Services, and Compliance Filing, New Jersey Board of Public Utilities Docket No. TO01020095, on behalf of the New Jersey Division of the Ratepayer Advocate, filed January 10, 2005 and February 4, 2005.

Joint Petition of SBC Communications Inc. and AT&T Corp., Together with its Certificated Subsidiaries for Approval of Merger, New Jersey Board of Public Utilities Docket No. TM05020168, on behalf of the

New Jersey Division of the Ratepayer Advocate, filed May 4, 2005 and June 1, 2005.

In the Matter of Verizon Communications Inc. and MCI, Inc., Applications for Approval of Transfer of Control, WC Docket No. 05-75, co-sponsored affidavit on behalf of the New Jersey Division of the Ratepayer Advocate, filed on May 9, 2005.

In the Matter of the Application of Southwestern Bell Telephone, L.P., d/b/a SBC Arkansas to Set Rates for Unbundled Network Elements, Arkansas Public Service Commission Docket No. 04-109-U, on behalf of the Attorney General, filed May 27, 2005.

Joint Petition of Verizon Communications Inc. and MCI, Inc. for Approval of Merger, New Jersey Board of Public Utilities Docket No. TM05030189, on behalf of the New Jersey Division of the Ratepayer Advocate, filed July 8, 2005 and August 19, 2005.

In the Matter of Joint Petition of United Telephone Company of New Jersey, Inc. d/b/a Sprint and LTD Holding Company for Approval Pursuant to *N.J.S.A.* 48:2-51 and *N.J.S.A.* 48:3-10 of a change in Ownership and Control, New Jersey Board of Public Utilities Docket No. TM05080739, on behalf of the New Jersey Division of the Ratepayer Advocate, filed November 29, 2005.

In the Matter of the Board's Review of the Classification of Verizon New Jersey's Directory Assistance Services ("DAS") as Competitive and Associated Service Quality, Docket No. TX06010057, In the Matter of the Filing by Verizon New Jersey Inc. for the Reclassification of Existing Rate Regulated Services – Directory Assistance Services as Competitive, Docket No. TT97120889, on behalf of the New Jersey Division of the Ratepayer Advocate, filed May 12, 2006.

In the Matter of AT&T Inc. and BellSouth Corporation Applications for Approval of Transfer of Control, Federal Communications Commission WC Docket No. 06-74, sponsored declaration with Sarah M. Bosley on behalf of the New Jersey Division of the Ratepayer Advocate, filed June 5, 2006.

Testimony before State Legislatures:

Testified on September 24, 1997, before the Massachusetts State Legislature Joint Committee on Government Regulations regarding House Bill 4937 (concerning area codes).

Publications/Presentations

Articles on telecommunications and energy policy in trade journals, and presentations at industry associations and conferences include the following:

Reports:

"Assessing SBC/Pacific's Progress in Eliminating Barriers to Entry: The Local Market in California Is Not Yet 'Fully and Irreversibly Open'" (with Patricia D. Kravtin, Dr. Lee L. Selwyn, and Douglas S. Williams). Prepared for the California Association of Competitive Telecommunications Companies, July 2000.

"Where Have All the Numbers Gone? (Second Edition): Rescuing the North American Numbering Plan from Mismanagement and Premature Exhaust" (with Dr. Lee L. Selwyn). Prepared for the Ad Hoc Telecommunications Users Committee, June 2000.

"Price Cap Plan for USWC: Establishing Appropriate Price and Service Quality Incentives for Utah" (with Patricia D. Kravtin and Scott C. Lundquist). Prepared for the Utah Division of Public Utilities, March 22, 2000.

"Telephone Numbering: Establishing a Policy for the District of Columbia to Promote Economic Development" (with Douglas S. Williams and Sarah C. Bosley). Prepared for the District of Columbia Office of People's Counsel, February 2000 (submitted to Eric W. Price, Deputy Mayor, April 6, 2000).

"The Use of Cost Proxy Models to Make Implicit Support Explicit, Assessing the BCPM and the Hatfield Model 3.1" (with Dr. Lee L. Selwyn). Prepared for the National Cable Television Association, submitted in FCC CC Docket No. 96-45, March 1997.

"The Use of Forward-Looking Economic Cost Proxy Models" (with Dr. Lee L. Selwyn). Prepared for the National Cable Television Association, submitted in FCC Docket No. CCB/CPB 97-2, February 1997.

"Continuing Evaluation of Cost Proxy Models for Sizing the Universal Service Fund, Analysis of the Similarities and Differences between the Hatfield Model and the BCM2" (with Dr. Lee L. Selwyn). Prepared for the National Cable Television Association, submitted in FCC CC Docket No. 96-45, October 1996.

"Converging on a Cost Proxy Model for Primary Line Basic Residential Service, A Blueprint for Designing a Competitively Neutral Universal Service Fund" (with Dr. Lee L. Selwyn). Prepared for the National Cable Television Association, submitted in FCC CC Docket No. 96-45, August 1996.

"The BCM Debate, A Further Discussion" (with Dr. Lee L. Selwyn and Helen E. Golding). Prepared for the National Cable Television Association, submitted in FCC CC Docket No. 96-45, May 1996.

"The Cost of Universal Service, A Critical Assessment of the Benchmark Cost Model" (with Dr. Lee L. Selwyn). Prepared for the National Cable Television Association, submitted in FCC CC Docket No. 96-45, April 1996.

"Funding Universal Service: Maximizing Penetration and Efficiency in a Competitive Local Service Environment" (with Dr. Lee L. Selwyn). Prepared for Time Warner Communications, Inc., October 1995.

"A Balanced Telecommunications Infrastructure Plan for New York State" (with Dr. Lee L. Selwyn). Prepared for the New York User Parties, December 4, 1992.

"A Roadmap to the Information Age: Defining a Rational Telecommunications Plan for Connecticut" (with Dr. Lee L. Selwyn, Susan M. Gately, JoAnn S. Hanson, David N. Townsend, and Scott C. Lundquist). Prepared for the Connecticut Office of Consumer Counsel, October 30, 1992.

"Analysis of Local Exchange Carrier April 1988 Bypass Data Submissions" (with William P. Montgomery and Dr. Lee L. Selwyn). Prepared for the National Association of State Utility Consumer Advocates, August 1988.

"Strategic Planning for Corporate Telecommunications in the Post-Divestiture Era: A Five Year View" (with Dr. Lee L. Selwyn, William P. Montgomery, and David N. Townsend). Report to the International Communications Association, December 1986.

"Competitive Pricing Analysis of Interstate Private Line Services." Prepared for the National Telecommunications Network, June 1986.

"Analysis of Diamond State Telephone Private Line Pricing Movements: 1980-1990." Prepared for Network Strategies, Inc., April 1985.

"Analysis of New York Telephone Private Line Pricing Movements: 1980-1990." Prepared for Network Strategies, Inc., February 1985.

Presentations:

"FCC's Regulatory Stance – Consumer Advocates' Role More Important Than Ever," 2005 National Association of State Utility Consumer Advocates Winter Meeting, March 2, 2005, Washington, D.C.

"Impact of Federal Regulatory Developments on Consumers and Consumers' Impact on Regulatory Developments," Presentation for the Washington Attorney General's Office, Seattle, Washington, May 27, 2003.

"The Finances of Local Competition" Presentation at the New England Conference of Public Utilities Commissioners 54th Annual Symposium, Mystic, Connecticut, May 21, 2001.

"Facilities-Based Competition" Presentation at the New England Conference of Public Utilities Commissioners 52nd Annual Symposium, Bretton Woods, New Hampshire, May 24, 1999.

"Exploring Solutions for Number Exhaust on the State Level" and "A Forum for Clarification and Dialogue on Numbering Ideas," ICM Conference on Number Resource Optimization, December 10-11, 1998.

"Telecommunications Mergers: Impact on Consumers," AARP Legislative Council 1998 Roundtable Meeting, November 18, 1998

"Consumer Perspectives on Incumbent Local Exchange Carrier Mergers," National Association of Regulatory Utility Commissioners 110th Annual Convention, November 11, 1998.

Federal Communications Commission En Banc Hearing on "Proposals to Revised the Methodology for Determining Universal Service Support," CC Docket Nos. 96-45 and 97-160," June 8, 1998, panelist.

"Universal Service: Real World Applications," 1997 National Association of State Utility Consumer Advocates Mid-Year Meeting, June 9, 1997.

"Modeling operating and support expenses" and "Modeling capital expenses," panelist for Federal-State Joint Board on Universal Service Staff Workshops on Proxy Cost Models, January 14-15, 1997, CC Docket 96-45.

“Evaluating the BCM2: An Assessment of Its Strengths and Weaknesses,” presentation to the AT&T Cost Team (with Michael J. DeWinter), December 4, 1996.

“Interpreting the Telecommunications Act of 1996 Mandate for the Deployment of Advanced Telecommunications Services in a Fiscally Responsible and Fully Informed Manner” (with Helen E. Golding), *Proceedings of the Tenth NARUC Biennial Regulatory Information Conference*, Volume 3, September 11-13, 1996.

“Making Adjustments to the BCM2.” Presentation to the Staff of the Federal-State Joint Board on Universal Service, September 16, 1996.

“Converging on a Model: An Examination of Updated Benchmark Cost Models and their Use in Support of Universal Service Funding.” Presentation to the National Association of Regulatory Utility Commissioners Summer Committee Meetings, July 22, 1996.

“The Phone Wars and How to Win Them” (with Helen E. Golding). *Planning*, July 1996 (Volume 62, Number 7).

“ETI's Corrections to and Sensitivity Analyses of the Benchmark Cost Model." Presentation to the Staff of the Federal-State Joint Board on Universal Service,” May 30, 1996.

“Redefining Universal Service.” Presentation at the *Telecommunications Reports* conference on “Redefining Universal Service for a Future Competitive Environment," January 18, 1996.

“Funding Universal Service: Maximizing Penetration and Efficiency in a Competitive Local Service Environment,” (with Lee L. Selwyn, under the direction of Donald Shepheard), a Time Warner Communications Policy White Paper, September 1995.

“Stranded Investment and the New Regulatory Bargain,” (with Lee L. Selwyn, under the direction of Donald Shepheard), a Time Warner Communications Policy White Paper, September 1995.

"New Frontiers in Regulation.” Presentation to the New England Women Economists Association, December 12, 1995.

“Local Cable and Telco Markets.” Presentation at the New England Conference of Public Utilities Commissioners 46th Annual Symposium, June 29, 1993.

“Relationship of Depreciation to State Infrastructure Modernization.” Presentation at the *Telecommunications Reports* conference on "Telecommunications Depreciation," May 6, 1993.

“Crafting a Rational Path to the Information Age.” Presentation at the State of New Hampshire's conference on the "Twenty-First Century Telecommunications Infrastructure," April 1993.

“The Political Economics of ISDN,” presentation at the John F. Kennedy School of Government seminar on "Getting from Here to There: Building an Information Infrastructure in Massachusetts," March 1993.

“ISDN Rate-Setting in Massachusetts.” *Business Communications Review*, June 1992 (Volume 22, No.

6).

“The New Competitive Landscape: Collocation in Massachusetts.” Presentation at TeleStrategies Conference on Local Exchange Competition, November 1991.

“Telecommunications Policy Developments in Massachusetts.” Presentations to the Boston Area Telecommunications Association, October 1989; March 1990; November 1990; June 1992. Presentation to the New England Telecommunications Association, March 1990.

“Tariff Data is Critical to Network Management.” *Telecommunications Products and Technology*, May 1988 (Volume 6, No. 5).

“How to Capitalize on the New Tariffs.” Presentation at Communications Managers Association conference, 1988.

“Auction Methods for the Strategic Petroleum Reserve” (With Steven Kelman and Richard Innes). Prepared for Harvard University Energy Security Program, July 1983.

“How Two New England Cities Got a $100 Million Waste-to-Energy Project” (with Diane Schwartz). *Planning*, March 1983 (Volume 49, Number 3).

“Evaluation of Economic Development and Energy Program in Lawrence, Massachusetts.” (with Richard Innes). Prepared for U.S. Department of Energy, August, 1982.

“Energy Efficiency in New England's Rental Housing.” New England Regional Commission, 1981.

“Low Level Radioactive Waste Management in New England.” New England Regional Commission, 1981.

“The Realtor's Guide to Residential Energy Efficiency.” Prepared for the U.S. Department of Energy and the National Association of Realtors, 1980.

Advisor to:

> United States General Accounting Office Report to the Subcommittee on Antitrust, Business Rights and Competition, Committee on the Judiciary, U.S. Senate, *Characteristics and Competitiveness of the Internet Backbone Market*, GAO-02-16, October 2001.

Appendix B

National Association of Regulatory Utility Commissioners

Resolution Relating to Separations Reform

February 15, 2006

Resolution Relating to Separations Reform

WHEREAS, In many States, the separations process has a direct and substantial effect on local exchange rates charged by some or all incumbent carriers; *and*

WHEREAS, The FCC established a separations freeze that began on July 1, 2001, and that will end on June 30, 2006, and the FCC's 2001 Freeze Order anticipated the possibility of a further extension of the freeze in consultation with the Separations Joint Board; *now therefore be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened in its February 2006 Winter Meetings in Washington, D.C., states that, to make informed decisions, the Joint Board make every effort to gather facts concerning network and accounting trends within the regulated telecommunications industry; *and be it further*

RESOLVED, Even if a temporary extension of the current freeze is necessary, it should not last longer than two years, any new freeze should be adopted only by administrative rule following a Notice of Proposed Rulemaking, and any new freeze should be adopted only after meaningful consultation with the Joint Board, as anticipated by 47 U.S.C. § 410(c) and the Freeze Order; *and be it further*

RESOLVED, The FCC should clarify that all carriers must continue to directly assign all private lines and special access circuits based on existing line counts in such a manner that the Joint Board will be able to complete its work before the extended freeze expires; *and be it further*

RESOLVED, The FCC should participate in meaningful Joint Board consideration of the following additional issues:

1. Whether State decisions to deregulate rates of incumbent carriers justifies new separations elections for States or for carriers;
2. Whether new technologies (such as DSL and Fiber To The Home) and jurisdictional changes (such as wireline broadband, calls to ISPs and VoIP calls) require separations changes, possibly including modifications to the 75-25 fixed factor and usage factors (such as the DEM).
3. Whether separations adjustments (and accounts) are needed to properly record revenues and costs for wholesale services, including reciprocal compensation and unbundled elements;
4. Whether States that exercise Part 64 authority to exclude carrier plant or expenses for non-regulated services should calculate separations factors;
5. Whether 47 U.S.C. § 254(k) requires separations changes;
6. Whether new traffic measurement methodologies can provide useful information regarding how separations reform should occur;
7. How new companies that do not have a pre-freeze usage history should separate their costs during the freeze; and
8. Whether the present method of allocating and distributing funds for Joint Board meetings should be changed to be more effective; *and be it further*

RESOLVED, That NARUC General Counsel is authorized to promote this policy with policymakers.

Sponsored by the Committee on Telecommunications
Adopted by the NARUC Board of Directors February 15, 2006

Appendix C

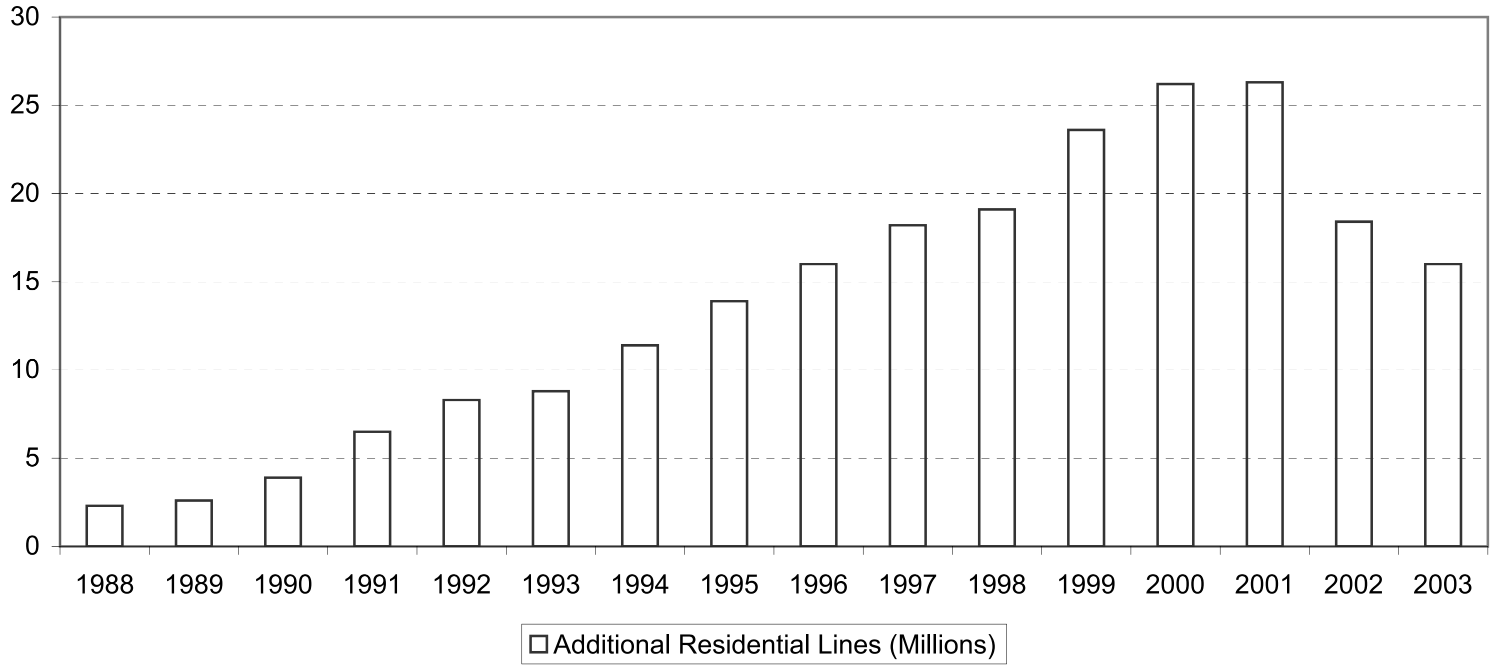
Replacement of Additional Lines with DSL Connections

Additional Residential Switched Access Lines Are In Decline

	2002	2003	2004	2005
BellSouth Corporation	1,943,395	1,606,877	1,348,811	1,168,771
Qwest Corporation	1,573,339	1,274,502	1,063,018	912,307
AT&T Inc. (formerly SBC)	5,749,060	4,911,986	4,334,272	3,985,608
Verizon Communications	5,405,281	4,639,106	3,784,097	3,124,018
Bell Total	14,671,075	12,432,471	10,530,198	9,190,704

Source: FCC ARMIS Report 43-08, Table III, Row 910, Column fh.

Additional Residential Switched Access Lines Are In Decline



Source: *Trends in Telephone Service, Tables Compiled as of April 2005* , FCC Industry Analysis and Technology, Division Wireline Competition Bureau, Table 7.4.

Customers Are Replacing Additional Lines With DSL Connections

		2000	2001	2002	2003	2004	2005	Change 2000-2005*	% Change 2000-2005*
AT&T	Total Switched Access Lines	58,041,420	53,857,591	51,114,103	46,962,288	44,779,542	44,062,251	-13,979,169	-24%
	Residential Additional Lines	NA	NA	5,749,060	4,911,986	4,334,272	3,985,608	-1,763,452	-31%
	DSL Connections	767,000	1,333,000	2,199,000	3,515,000	5,104,000	6,921,000	6,154,000	802%
BellSouth	Total Switched Access Lines	25,087,026	24,088,143	22,300,335	20,595,768	19,337,439	18,808,132	-6,278,894	-25%
	Residential Additional Lines	NA	NA	1,943,395	1,606,877	1,348,811	1,168,771	-774,624	-40%
	DSL Connections	215,000	621,000	1,021,000	1,462,000	2,096,000	2,882,000	2,667,000	1240%
Qwest	Total Switched Access Lines	17,626,160	16,664,145	15,682,208	14,276,820	13,407,741	12,800,540	-4,825,620	-27%
	Residential Additional Lines	NA	NA	1,573,339	1,274,502	1,063,018	912,307	-661,032	-42%
	DSL Connections	271,000	448,000	510,000	638,000	1,037,000	1,480,000	1,209,000	446%
Verizon	Total Switched Access Lines	63,016,104	61,597,648	58,010,291	55,480,966	52,872,706	48,636,292	-14,379,812	-23%
	Residential Additional Lines	NA	NA	5,405,281	4,639,106	3,784,097	3,124,018	-2,281,263	-42%
	DSL Connections	540,000	1,200,000	1,800,000	2,300,000	3,485,000	5,144,000	4,604,000	853%
Bell Total	Total Switched Access Lines	163,770,710	156,207,527	147,106,937	137,315,842	130,397,428	124,307,215	-39,463,495	-24%
	Residential Additional Lines	NA	NA	14,671,075	12,432,471	10,530,198	9,190,704	-5,480,371	-37%
	DSL Connections	1,793,000	3,602,000	5,530,000	7,915,000	11,722,000	16,427,000	14,634,000	816%

* Change and Percent Change for Residential Additional Lines is for the period 2002-2005.

Sources: Total Switched Access Lines and Residential Additional Lines: FCC ARMIS Report 43-08, Table III, Row 910, Columns (fh) and (fi); DSL Connections: SBC 2004 Annual Report, page 5; AT&T 2005 Annual Report, page 18; BellSouth 2003 Annual Report; page 30; BellSouth 2004 Annual Report, page 26; BellSouth 2005 Annual Report, page 34; Qwest 2001 Annual Report, page 45; Qwest 2002 Annual Report, page 37; Qwest Historical Financial Information, As of December 31, 2005, tab "Wireline" (QstatisticalProfile4Q05.xls, available at www.qwest.com); Verizon Q4 2000 Investor Quarterly, page 5; Verizon Q4 2002 Investor Quarterly, page 5; Verizon 2005 Annual Report, page 13.

Projection of DSL Subscribership to 2010
(subscribers in thousands)

	Actual		Projected*	
Year	Bell DSL Demand	Annual Growth Rate	Annual Growth Rate	Bell DSL Demand
2000	1,793		-	-
2001	3,602	101%	-	-
2002	5,530	54%	-	-
2003	7,915	43%	-	-
2004	11,722	48%	-	-
2005	16,427	40%	-	-
2006	-	-	35%	22,176
2007	-	-	30%	28,829
2008	-	-	25%	36,037
2009	-	-	20%	43,244
2010	-	-	15%	49,731

* Projections assume that annual growth in subscribership decreases by 5% each year, 2006-2010.

Sources: SBC 2004 Annual Report, page 5; AT&T 2005 Annual Report, page 18; BellSouth 2003 Annual Report; page 30; BellSouth 2004 Annual Report, page 26; BellSouth 2005 Annual Report, page 34; Qwest 2001 Annual Report, page 45; Qwest 2002 Annual Report, page 37; Qwest Historical Financial Information, As of December 31, 2005, tab "Wireline" (QstatisticalProfile4Q05.xls, available at www.qwest.com); Verizon Q4 2000 Investor Quarterly, page 5; Verizon Q4 2002 Investor Quarterly, page 5; Verizon 2005 Annual Report, page 13.

Appendix D

Bells' Resources Are Focused on Unregulated Lines of Business But Cost Allocation is Unclear:

Examples of Bells' Entrance into Video

AT&T U-verse

at&t

AT&T U-verse[sm] Fact Sheet

A new entertainment experience with next-generation integrated services and advanced features has arrived in San Antonio.

AT&T U-verse TV

AT&T U-verse TV will bring customers a new entertainment experience and a variety of programming choices, plus features like picture-in-picture channel browsing, video-on-demand (VOD), fast channel changing, and parental controls.

Customers get more choice and control with four compelling packages, each including one digital video recorder and receivers for three televisions (Customers may add an additional receiver for $5 per month). Packages include:

- **AT&T U-verse TV U400,** with more than 175 of the most popular channels including 49 premium movie channels like HBO® and Cinemax®, and nine of the most-watched sports channels; plus local channels and 18 digital music channels.
- **AT&T U-verse TV U300,** with more than 150 of the most popular channels including 31 premium movie channels like Starz®, SHOWTIME®, The Movie Channel™, Encore®, and FLIX®; plus local channels and 18 digital music channels.
- **AT&T U-verse TV U200,** with more than 100 of the most popular channels, including news, movies, children's and family entertainment; plus local channels and 18 digital music channels.
- **AT&T U-family,** with a channel lineup including 47 of the best family-oriented TV channels, is available bundled with AT&T Yahoo! Internet Access, *U-verse Enabled*, for as little as $54 a month.

Introductory offer – first three months of TV are free.

Additional subscription options are available, including a Spanish package (Paquete Español) at 50 percent off for the first three months.

AT&T U-verse TV packages	AT&T Yahoo! High Speed Internet options		
	+ Express	+ Pro	+ Elite
U200	$69/mo. You pay just $10/mo. for the first 3 months!	$74/mo. You pay just $15/mo. for the first 3 months!	$84/mo. You pay just $25/mo. for the first 3 months!
U300	$89/mo. You pay just $10/mo. for the first 3 months!	$94/mo. You pay just $15/mo. for the first 3 months!	$104/mo. You pay just $25/mo. for the first 3 months!
U400	$109/mo. You pay just $10/mo. for the first 3 months!	$114/mo. You pay just $15/mo. for the first 3 months!!	$124/mo. You pay just $25/mo. for the first 3 months!

* Pricing subject to change.

AT&T U-verse

at&t

AT&T Yahoo! High Speed Internet, *U-verse Enabled*

AT&T Yahoo! High Speed Internet, *U-verse Enabled* customers will receive a leading combination of broadband access, services and content that provides a unique high-speed Internet experience.

The three packages of AT&T Yahoo! High Speed Internet, *U-verse Enabled* include:

- Elite: Downstream up to 6.0 Mbps, Upstream up to 1.0 Mbps.
- Pro: Downstream up to 3.0 Mbps, Upstream up to 1.0 Mbps.
- Express: Downstream up to 1.5 Mbps, Upstream up to 1.0 Mbps.

Among other compelling high speed Internet features are:

- Wireless home networking included.
- Unlimited online photo storage and 11 e-mail accounts, with 2 GB each of storage.
- A suite of powerful safety and security tools including anti-spy, anti-virus, pop-up blocker, parental controls, and anti-spam features conveniently integrated into one platform.

U-verse subscribers also get:

- Recurring monthly bundle discounts on all-inclusive U-verse services.
- Professional installation of U-verse services for just $20 for customers who sign up now.
- Thirty-day money-back guarantee on U-verse services.

Prices subject to change. Services provided by your local AT&T telephone company and are available in limited areas. Residential customers only. AT&T Yahoo! High Speed Internet *U-verse Enabled* may not be purchased separately; purchase of AT&T U-verse TV required. Taxes, installation, city video cost recovery fees, and additional fees extra. Equipment rental fees are included as part of your monthly recurring charges. Separate purchase of adapter may be required for wireless networking. Acceptance of Terms of Service required. AT&T Yahoo! High Speed Internet maximum speed achieved depends on customer location, line condition, and concurrent use of other U-verse services. Credit and other restrictions apply. **3 Months Free:** Offer expires 7/31/06. Applies to programming packages: U-verse 200, 300, 400. Customer responsible for Video on Demand and Pay Per View charges. **Money-Back Guarantee:** For customers ordering the Double Pack (TV and Internet) who cancel both U-verse services within 30 days from service activation. Money-Back Guarantee includes adjustment of initial installation and one month's service fees only. Customer responsible for Video on Demand, Pay Per View, and non-returned equipment charges. Valid for orders placed between 6/30/06-9/18/06. Other restrictions apply. **Paquete Español:** Offer expires 7/31/06. Customer must subscribe to a U-verse programming package. Full rate of $10/mo. applies after 3 months.

AT&T Expands U-verse Services in San Antonio

Through July 31, New Customers May Receive Three Months of Free TV

San Antonio, Texas, June 26, 2006

More San Antonio consumers can now enjoy a new universe of communications and entertainment through the AT&T U-verse[sm] experience.

AT&T Inc. (NYSE:T) today announced the initial expansion of AT&T U-verse services — the company's next-generation television and high speed Internet offerings — in San Antonio. The services utilize AT&T's fiber-rich network, which extends optical connections deeper into customer neighborhoods.

"Our AT&T U-verse services are based on one simple concept: it's all coming together for you," said Brooks McCorcle, AT&T vice president and general manager for the South Texas region. "Our new television service was built around the needs of the individual customer. And we're committed to delivering a customer service experience with AT&T U-verse that's unmatched by even our own high standards. We're confident that once customers experience AT&T U-verse TV, they'll never look at home entertainment the same way again."

During this initial expansion in San Antonio, AT&T U-verse TV will offer:

- **A compelling variety of TV packages** with more than 200 channels, including digital music, local, and premium movie and sports programming.
- **A premium Spanish-language package** featuring novellas, movies, news, sports, children's programming, talk shows and more for an additional $5 per month (regularly $10 per month) for the first three months.
- A growing **video-on-demand library** with hundreds of hours of diverse content.
- An innovative easy-to-use **program guide**.
- **Fast channel changing**, eliminating the delay experienced with other digital broadcast services.
- The ability to **search for programs** using title or actor's name.
- **Picture-in-picture functionality** that allows subscribers to "channel surf" without leaving the program they're watching.
- Three TV receivers — one with a **digital video recorder (DVR**), which allows customers to pause, rewind, replay and record live TV — at no extra charge (Customers may add an additional receiver for $5 per month).

AT&T plans to add more channels, high-definition programming, more video-on-demand titles, a whole home DVR feature, and other interactive applications later this year.

Now through July 31, qualified new customers can join AT&T U-verse and receive free TV service for the first three months (other monthly charges apply). Thereafter, customers will continue to receive recurring monthly bundle discounts. Customers can choose from four TV packages and 3 Internet packages to customize their entertainment experience. Current AT&T U-verse bundles range in price from $69 to $124 per month, depending on the selected programming and Internet package (other monthly charges apply).

In addition to the packages above, AT&T will offer a unique family-friendly programming package: U-family. The U-family offer includes the best family-oriented TV channels, plus video-on-demand, three TV receivers and a digital video recorder (DVR). U-family bundles, which include high speed Internet access, are available for as low as $54 per month (other monthly charges apply).

Professional installation of three TV receivers (additional receiver available for $5 per month)—including one with a DVR—and wireless home networking, plus a U-learn educational tutorial, in which an AT&T technician will show customers how to use video-on-demand, program their DVR and other features, is available for a one-time introductory fee of $20 for customers who choose a U-verse bundle; this service is normally valued at $95. In addition, AT&T will offer new customers a 30-day money-back guarantee.

"Customers will be amazed by the U-verse experience — from our ordering and installation process to the unprecedented control and enjoyment they'll receive with our TV, high speed Internet and wireless home networking services," said McCorcle. "We've really reinvented the universe of communications and entertainment."

Three packages of AT&T Yahoo! High Speed Internet, *U-verse Enabled* will be made available to AT&T U-verse customers:

- **Elite:** Downstream up to 6.0 Mbps, Upstream up to 1.0 Mbps.
- **Pro:** Downstream up to 3.0 Mbps, Upstream up to 1.0 Mbps.
- **Express:** Downstream up to 1.5 Mbps, Upstream up to 1.0 Mbps.

All high-speed Internet packages offered as part of AT&T U-verse include wireless home networking at no charge, giving users the freedom to access online photos, streaming video, games and other information using a wireless-enabled laptop or other device. Subscribers also receive virtually unlimited e-mail storage and powerful anti-virus and anti-spam software.

San Antonio is the first market where AT&T U-verse services are commercially available. In addition to widening the availability in San Antonio over the coming months, AT&T plans to launch U-verse services in additional markets by the end of the year.

The deployment of next-generation video services reflects AT&T's strategy to become customers' preferred communications and entertainment provider and to deliver a video solution through its traditional footprint that provides greater value, flexibility and simplicity than competitors' offerings.

AT&T U-verse TV represents a critical new service in the company's video portfolio, which today includes AT&T â”, DISH Network and soon will include AT&T Homezone, which integrates AT&T â”, DISH Network and AT&T Yahoo! High Speed Internet. The deployment of AT&T U-verse TV also underscores the company's strategy to deliver integrated services to the three screens many consumers say are most valued today: the PC, the TV, and the wireless phone.

To introduce customers to AT&T U-verse, the company will sponsor targeted promotional campaigns and family-oriented neighborhood events. Each event will feature U-verse demonstrations, family entertainment, and other recreational activities. Customers who live in neighborhoods where the service is available will receive invitations notifying them of the date and location of each event in their area.

Customers seeking additional information on AT&T U-verse — or to find out if it's available in their area — can visit **uverse.att.com**.

About AT&T
AT&T Inc. is one of the world's largest telecommunications holding companies and is the largest in the United States. Operating globally under the AT&T brand, AT&T companies are recognized as the leading worldwide providers of IP-based communications services to business and as leading U.S. providers of high-speed DSL Internet, local and long distance voice, and directory publishing and advertising services. AT&T Inc. holds a 60 percent ownership interest in Cingular Wireless, which is the No. 1 U.S. wireless services provider with more than 55.8 million wireless customers. Additional information about AT&T Inc. and AT&T products and services is available at **www.att.com**.

IMPORTANT INFORMATION:
Prices subject to change. Services provided by your local AT&T telephone company and are available in limited areas. Residential customers only. AT&T Yahoo! High Speed Internet U-verse Enabled may not be purchased separately; purchase of AT&T U-verse TV required. Taxes, installation, city video cost recovery fees, and additional fees extra. Equipment rental fees are included as part of your monthly recurring charges. Separate purchase of adapter may be required for wireless networking. Acceptance of Terms of Service required. AT&T Yahoo! High Speed Internet maximum speed achieved depends on customer location, line condition, and concurrent use of other U-verse services. Credit and other restrictions apply. 3 Months Free: Offer expires 7/31/06. Applies to programming packages: U-verse 200, 300, 400. Customer responsible for Video on Demand and Pay Per View charges. Money-Back Guarantee: For customers ordering the Double Pack (TV and Internet) who cancel both U-verse services within 30 days from service activation. Money Back Guarantee includes adjustment of initial installation and one month's service fees only. Customer responsible for Video on Demand, Pay Per View, and non-returned equipment charges. Valid for orders placed between 6/30/06-9/18/06. Other restrictions apply.

Yahoo!, the Yahoo! Logos, and other product and service names are the

AT&T to Build Fiber-To-The-Premises Network to Deliver U-verse Services to 20,000-Home Community in Houston Area

AT&T and General Growth Properties Complete Largest AT&T Smart Moves Contract to Date to Deliver Next-Generation Communications and Entertainment Services to 65,000 Residents of Bridgeland Planned Community Development

San Antonio, Texas, June 21, 2006

AT&T Inc. (NYSE: T) today announced an agreement with General Growth Properties to build a fiber-to-the-premises network to deliver the AT&T U-verse suite of services, which includes integrated digital TV, high speed Internet and voice services, to a 20,000-home master-planned community near Houston.

The agreement, AT&T's largest such contract to date, underscores one of the company's key strategic initiatives for connecting customers to its Project Lightspeed fiber footprint. It will enable AT&T to make Internet Protocol-based communications and entertainment services available to the estimated 65,000 residents who will move into Bridgeland, a 10,000-acre residential development currently under construction.

The Bridgeland agreement — while unique in size, scope, and approach — is one of hundreds of agreements AT&T has completed for fiber-based developments. These agreements represent more than 270,000 homes in newly planned communities across the country that have become part of the AT&T Smart Moves program.

Research underscores the demand for advanced communications and entertainment services among new homeowners: In fact, some studies show that half of new home buyers upgrade their entertainment packages and almost 70 percent buy broadband, compared with 38 percent nationwide.

"Many of today's home buyers are embracing the digital lifestyle and want advanced communications and entertainment options as soon as they move in," said Ed Cholerton, AT&T vice president and general manager for the Houston market area. "The AT&T Smart Moves program at Bridgeland is one strategic way that we are connecting customers with our next generation of services — while providing builders and developers with added value that helps differentiate their planned communities."

The first Bridgeland model homes are to open this summer with construction of the remaining residential and commercial properties to continue through 2020. The master plan for Bridgeland calls for an extensive lake and trail system and a series of distinctive bridges all designed to connect recreational, educational and cultural amenities together with employment, retail and health and fitness offerings. It will also feature a large town center area near the center of the community.

"Bringing fiber optic telecommunications to the home will make life in Bridgeland a great marriage of nature and technology. You'll connect to schools and neighbors by tree-lined walking trails while connecting to the globe through an electronic broadband pipeline with enormous technological potential for communication, entertainment and access to the Internet," said Joe Necker, vice president of development for General Growth Properties. "Internet protocol television will give Bridgeland residents the most advanced available technology for getting information and entertainment."

Since 2005, the total number of single-family homes under AT&T Smart Moves contracts has increased from about 460,000 to more than 830,000 — including those that are fiber-enabled and others that involve bundled services and other types of networking.

About General Growth Properties

Bridgeland is being developed by General Growth Properties, Inc., the second largest U.S.-based publicly traded Real Estate Investment Trust (REIT). General Growth currently has an ownership interest in or management responsibility for a portfolio of more than 200 shopping malls in 44 states, as well as ownership in planned community developments and commercial office buildings. The portfolio totals approximately 200 million square feet of retail space and includes more than 24,000 retail stores nationwide. General Growth Properties, Inc. is listed on the New York Stock Exchange under the symbol GGP. For more information, please visit the company web site at http://www.generalgrowth.com.

About AT&T Inc.

AT&T Inc. is one of the world's largest telecommunications holding companies and is the largest in the United States. Operating globally under the AT&T brand, AT&T companies are recognized as the leading worldwide providers of IP-based communications services to business and as leading U.S. providers of high speed DSL Internet, local and long distance voice, and directory publishing and advertising services. AT&T Inc. holds a 60 percent ownership interest in Cingular Wireless, which is the No. 1 U.S. wireless services provider with 55.8 million wireless customers. Additional information about AT&T Inc. and AT&T products and services is available at www.att.com.

TiVo and BellSouth to Co-Market TiVo DVR and DSL Internet

Agreement Offers TiVo DVR to Select BellSouth® FastAccess® DSL Subscribers

ALVISO, CA and ATLANTA, GA – July 27, 2006 – TiVo Inc. (NASDAQ: TIVO), a creator of and leader in television services for digital video recorders (DVRs), and BellSouth Corporation (NYSE: BLS), today announced a co-marketing agreement to promote the stand-alone TiVo® Series2™ box and service in conjunction with BellSouth® FastAccess® DSL.

Beginning this week, BellSouth and TiVo will launch the first of a variety of co-marketing initiatives that leverage product synergies between BellSouth FastAccess DSL and TiVo in order to drive additional distribution of the respective services. Through the agreement with TiVo, select FastAccess DSL subscribers will receive special pricing on the TiVo box and service. These customers can further enhance their already reliable, high-speed Internet service with TiVo's broadband applications, including online scheduling, TiVoToGo transfers, TiVo Guru Guide recommendations, streaming radio, movie browsing, and TiVo's easy-to-use Home Media features. TiVo's home media features allows subscribers to receive broadband delivered video and view personal music and photos on the TV set not just the PC. Subscribers will also receive the newly released TiVo KidZone as well as the traditional features for finding, recording and watching their favorite TV shows, such as Season Pass™ recordings and WishList® searches.

"TiVo is pleased to work with BellSouth on this powerful marketing initiative," said Naveen Chopra, vice president of business development at TiVo. "With its strong southeastern presence and renowned customer satisfaction, BellSouth is uniquely positioned to market the benefits of a broadband-connected TiVo Box. Together, we can turn a DSL Internet connection into a pipeline for video content delivered directly to the television."

Although specific marketing tactics were not disclosed, TiVo and BellSouth will leverage each other's marketing efforts in key Southeastern markets. They will also offer special incentives to customers who subscribe to both services.

"BellSouth is excited to offer TiVo's unique broadband applications to our FastAccess DSL customers," said Joey Schultz, vice president of marketing for BellSouth Retail Markets. "TiVo's leading DVR service and powerful consumer brand helps us differentiate our DSL Internet offering by providing our subscribers exciting and entertaining ways to enhance their television and online experience."

About BellSouth Corporation

BellSouth Corporation is a Fortune 500 communications company headquartered in Atlanta, Georgia. BellSouth has joint control and 40 percent ownership of Cingular Wireless, the nation's largest wireless voice and data provider with 57.3 million customers.

Backed by award-winning customer service, BellSouth offers the most comprehensive and innovative package of voice and data services available in the market. Through BellSouth Answers®, residential and small business customers can bundle their local and long distance service with dial-up and high-speed DSL Internet access, satellite television and Cingular® Wireless service. For businesses, BellSouth provides secure, reliable local and long distance voice and data networking solutions. BellSouth also offers print and online directory advertising through The Real Yellow Pages® and YELLOWPAGES.COM™ from BellSouth.

BellSouth believes that diversity and fostering an inclusive environment are critical in maintaining a competitive advantage in today's global marketplace. More information about BellSouth can be found at http://www.bellsouth.com.

About TiVo Inc.
Founded in 1997, TiVo (NASDAQ: TIVO) pioneered a brand new category of products with the development of the first commercially available digital video recorder (DVR). Sold through leading consumer electronic retailers and Internet Providers, TiVo has developed a brand which resonates boldly with consumers as providing a superior television experience. Through agreements with leading satellite and cable providers, TiVo also integrates its full set of DVR service features into the set-top boxes of mass distributors. TiVo's DVR functionality and ease of use, with such features as Season Pass™ recordings and WishList® searches, has elevated its popularity among consumers and has created a whole new way for viewers to watch television. With a continued investment in its patented technologies, TiVo is revolutionizing the way consumers watch and access home entertainment. Rapidly becoming the focal point of the digital living room, TiVo's DVR is at the center of experiencing new forms of content on the TV, such as broadband delivered video, music and photos. With innovative features, such as TiVoToGo™ transfers and online scheduling, TiVo is expanding the notion of consumers experiencing "TiVo, TV your way.®" The TiVo® service is also at the forefront of providing innovative marketing solutions for the television industry, including a unique platform for advertisers and audience measurement research. The company is based in Alviso, Calif.

Sources: Tivo Inc. and BellSouth Corporation

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>> DIRECTV® TOTAL CHOICE® PREMIER Package

» Do I qualify for BellSouth Answers® bundle savings on DIRECTV® service?

» Will my DIRECTV charges appear on my BellSouth bill?

» How does DIRECTV® service compare with cable?

The TOTAL CHOICE PREMIER package supercharges your TV with over 250 channels:

- Save up to $540 on DIRECTV's best offer of the year. Get 4 MONTHS FREE of TOTAL CHOICE® PREMIER when you buy NFL SUNDAY TICKET™
- Enjoy programming featuring your favorite family, variety, news and entertainment networks, local stations* and 67 audio music channels from XM Satellite Radio.
- Watch over 20 more channels of sports, news, entertainment, and programming for families
- Enjoy the most variety with over 50 premium channels including HBO®, Starz® Super Pack, SHOWTIME UNLIMITED®, Cinemax®, and SPORTS PACK
- Save up to $10 each month with BellSouth Answers® when you add DIRECTV programming

TOTAL CHOICE PREMIER package

$99.99 per month

Order Now

○ Current Customer

○ New to BellSouth

continue

Get FREE standard installation of up to a 4-room DIRECTV® System:

- up to 4 leased standard receivers
- One dish antenna

Available on approved credit. Annual programming commitment required. Handling and delivery fee of $19.95 applies. Add equipment lease fee of $4.99 per month for separate programming on 2nd and each additional TV.

Learn more »

Add a **DIRECTV Plus® DVR** for only $99 and receive a $100 mail-in rebate from DIRECTV. It's like getting your DVR for free!

- Digitally record and rewind live TV with a DIRECTV Plus® DVR
- Get high definition programming with an HD Receiver

Two-year programming commitment required. Offer ends on 10/02/06 and is subject to approved credit. DIRECTV hardware, programming, and DVR service sold separately.

Learn more »

*In select markets, DIRECTV offers local channels. Eligibility will be determined at time order is placed based on service address. If local channels are not available in your area, you can still enjoy TOTAL CHOICE programming for $3 less than the listed prices.

**Professional installation and land-based phone line connection required.

Residential: Video/TV

QWEST OFFERS INNOVATIVE TV SERVICE SOLUTIONS IN 14 STATES.

QWEST CHOICE TV AND DIRECTV® SERVICE AVAILABLE FROM QWEST LET YOU CHOOSE YOUR FAVORITES FROM BASIC PACKAGES, PREMIUM MOVIE CHANNELS, PAY PER VIEW CHANNELS AND MORE.

Check DSL Availability

\- -

Products & Services
DIRECTV® Service
- Learn More
- Channel Lineup

Customer Service
- Customer Service
- User Guides
- FAQs
- Manage Your Account

SEE THE PROGRAMMING YOU WANT TO SEE

Qwest TV Services

Package	Features	Monthly Charge
DIRECTV® Service	100% digital-quality picture and sound satellite TV service from DIRECTV Access to over 250 channels of movies, news, sports and music, including at least 50 audio-only music channels from XM Satellite Radio Includes up to 55 pay per view movie and event choices a day Access to high-tech viewing options such as DIRECTV® DVR service and the DIRECTV® HD Package. Channel Lineup DIRECTV hardware, programming and DVR service available separately.	Packages start at **$44.99 a month* plus tax** Add $4.99/mo. lease fee for second and each additional DIRECTV® Receiver. ORDER NOW

*For new DIRECTV customers. Premium packages available at additional rates. Rates do not include taxes and other fees.

check

More Special Offers

DIRECTV® Service:

Get $150 back on your DIRECTV® service (Get a $10 monthly bill credit for 15 months on approved credit. Offer ends 9/4/06. Requires mail-in **redemption**.)

Full Offer Details

More For Your Connected Home

High Speed Internet

Get online with the speed you need.

DIRECTV: DIRECTV service provided by DIRECTV and subject to credit approval. Programming, pricing, terms and conditions subject to change. Taxes not included. DIRECTV services not provided outside the United States. Receipt of DIRECTV programming is subject to the terms of the DIRECTV Customer Agreement; copy provided at DIRECTV.com and mailed to customers in the first month. ©2006 DIRECTV, Inc. DIRECTV and the Cyclone Design logo, TOTAL CHOICE and DIRECTV PLUS are registered trademarks of DIRECTV, Inc. All other trademarks and service marks are the property of their respective owners.

One in Eight Eligible Customers Subscribes to Verizon FiOS Internet Service

Popularity Climbs as Company Delivers the Power of Fiber Optics Directly to Millions of Homes and Small Businesses

New FiOS Subscribers Represented More Than 25 Percent of Verizon's Net New Consumer and Small-Business Wireline Broadband Customers in the Second Quarter

August 1, 2006

Media contact:
Bobbi Henson , 972-718-2225

NEW YORK – The popularity of Verizon's groundbreaking, ultra-fast, all-fiber-optic FiOS Internet service continues to climb. Data just released for the second quarter of 2006 shows that FiOS Internet customers made up more than 25 percent of the 440,000 net new wireline broadband sales for Verizon.

On average, Verizon has won 12 percent of potential FiOS Internet customers within just nine months of entering a new market with its fiber-optic network. Verizon reported that 375,000 customers now use its FiOS Internet service to connect to the Internet or other data networks at speeds of up to 50 Mbps, 10 times faster than typical cable offers.

The second-quarter report notes that Verizon gained 111,000 FiOS Internet customers in the second quarter alone. The company's new fiber-optic network now extends to 4.5 million homes and small businesses in 16 states as the company continues an unequalled construction project to expand the service. More than 3 million homes are now "open for sale" for FiOS Internet.

"FiOS sales are gaining momentum as hundreds of thousands of people discover the real difference that a fiber delivered directly into their homes and businesses provides," said John Wimsatt, senior vice president of Verizon's Broadband Solutions Group. "The tremendous capacity and bandwidth our FiOS Internet customers enjoy makes applications like photo and video sharing, blogging, digital movie downloads, video chat and conferencing, and interactive multi-player games a part of everyday living."

With FiOS, Verizon offers an unprecedented range of download and upload speeds delivered over a new, leading-edge fiber-optic network directly into customer's homes. FiOS download connection speeds range from up to 5 Mbps (megabits per second) to up to 50 Mbps. FiOS upload speeds range from 2 Mbps to 10 Mbps, representing the fastest upstream speeds available to consumers from any U.S. Internet service provider.

Fast Upload Speeds Gain Importance

As the Internet becomes increasingly interactive, broadband users expect more high performance, not only in downloading content, but in uploading it as well.

The Pew Internet & American Life Project recently reported that more than 43 million Americans have created a blog or Web page for themselves or for others, or have shared something online that they created themselves, such as artwork, photos and videos, or both. The study reported, "There is a significant statistical association between creating online content and having a home broadband connection."

Wimsatt said, "The proliferation of personal digital photography and videos, blogs and personal Web sites is a significant driver of broadband growth. The ability to quickly upload content, such as digital photos and videos and large personal text files, is now just as important to customers as fast downloads. Having a high download speed without a high upload speed is the equivalent to having a conversation where you can only listen and not talk. With our groundbreaking download and upload speeds, FiOS customers enjoy a rich, two-way broadband experience that's unparalleled by any other service today."

FiOS 'Triple Play' Growth

Verizon's new fiber-optic network not only delivers super-fast Internet service, but also offers customers in many markets a new, competitive choice of television service with FiOS TV, offering more than 180 all-digital channels, two dozen HDTV channels and up to 2,500 video-on-demand titles.

"As hundreds of thousands of new FiOS customers are now benefiting from our super-fast, reliable Internet service, many are also coming to us for video," said Wimsatt. "In the approximately 60 markets in seven states where we currently offer FiOS TV, a high percentage of our FiOS Internet customers are signing up for our TV service.

In the second quarter 2006, Verizon also gained 329,000 DSL high-speed Internet customers and now has a total of 6.1 million wireline broadband customers. The company's addition of 1.6 million new home and small-business broadband customers over the past three quarters is an industry-leading achievement.

Verizon Communications Inc. (NYSE:VZ), a Dow 30 company, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving nearly 55 million customers nationwide. Verizon Business operates one of the most expansive wholly-owned global IP networks. Verizon Telecom is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. Based in New York, Verizon has a diverse workforce of more than 252,000 and generates annual consolidated operating revenues of approximately $90 billion. For more information, visit www.verizon.com

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For more information, please visit newscenter.verizon.com.

Verizon Expands FiOS TV Availability in Massachusetts

Thursday, June 29, 2006

Consumers in Burlington, North Reading and Winchester Can Experience Better Television; New Service Provides More Choice and Greater Value

Verizon has introduced FiOS TV to three more communities north of Boston, making a broad range of programming choices and superior picture quality available to 57,500 residents. Burlington, North Reading and Winchester join Lynnfield, Reading and Woburn as the first Bay State markets for the company's new fiber-optic television service, delivered over the only all-digital, fiber network that is being made available, on a mass scale, to millions of individual homes and businesses.

Also today, Verizon announced that on Tuesday (June 27) the Board of Selectmen in Stoneham, Mass., unanimously approved Verizon's request for a 10-year cable-TV franchise license to provide FiOS TV in that community of 22,000.

Verizon launched FiOS TV in Keller, Texas, last September and began taking orders in Woburn in February. The company also has begun offering the service elsewhere in Texas, as well as in parts of New York, California, Florida, Maryland, and Virginia.

"FiOS TV gives consumers an outstanding, superior alternative for their video entertainment," said Donna Cupelo, Verizon region president for Massachusetts and Rhode Island. "Customers who liked what FiOS did for their Internet connection will love what it does for their TV. We've harnessed the speed and capacity of fiber-based broadband with the power of broadcast to create a revolutionary, new entertainment experience," said Cupelo.

Residents in these communities who are FiOS TV-eligible now have the option to trim their monthly bills by bundling FiOS TV service, FiOS Internet service and the Verizon Freedom Value unlimited calling plan, all for $104.85.

Service highlights include:

- A broad collection of all-digital programming and compelling consumer choice.
- A lead offer with more than 180 all-digital video and music channels, for $34.95 a month with Verizon FiOS Internet Service or a qualifying voice plan for $39.95 a month as a stand-alone service.
- More than 20 high-definition channels, with extraordinary clarity and theater-quality sound.
- More than 2,200 On Demand titles available to customers now, increasing to over 3,500 titles in the next several months. Many of them are free.
- Channels grouped by genres such as entertainment, sports, news, shopping, movies and family, making it easy for audiences to find their favorite programming.
- An easy-to-use interactive programming guide that integrates HD programming, On Demand content and the digital video recorder along with broadcast television into a seamless user experience.
-

A dual-tuner, HD-capable DVR that gives customers the freedom to pause and rewind live TV, record one show while watching another, and fast forward to their favorite part of the program – all without a VCR, tapes or DVDs.

Information on packages and prices is available at www.verizon.net/fiostv. Burlington, North Reading and Winchester customers also can call 1-800-880-2943 to see if they're able to order FiOS TV.

Verizon is currently in negotiations with more than 40 other communities in Massachusetts to obtain additional franchises. For more information on the Verizon franchise process in the state, visit www.verizon.com/ma.

Verizon research indicates 87 percent of Massachusetts residents favor more competition and choice for video services. Independent studies have shown that competition in the video market brings enormous benefits to consumers in the form of reduced prices, better packages and improved service.

Delivered over Verizon's fiber-to-the-premises (FTTP) network, FiOS TV is designed to be a formidable competitor to cable and satellite. The Verizon FTTP network, the largest of its kind in the country, is currently under construction in more than half the states where the company offers landline communications services, including more than 50 Massachusetts communities. The network brings the power and capacity of fiber optics directly into people's homes and has industry-leading quality and reliability. Fiber delivers amazingly sharp pictures and sound, and has the capacity to transmit a wide array of high-definition programming that is so clear and intense it seems to leap from the TV screen. It also delivers Internet download speeds of up to 30 Mbps (megabits per second) and upload speeds of up to 5 Mbps as well as high-quality voice services.

Programming choices for Hispanic, African-American, Asian, Russian and other multicultural audiences are available in every market. Because FiOS TV has so much capacity, it is an outlet for emerging and independent networks to showcase their diverse programming.

Service and Package Details

FiOS TV subscribers can choose from three simple-to-understand service offerings, each with built-in choice and value. They can then choose from packages and premium channels with programming that meets their special interests. Verizon offers three set-top boxes: standard definition for $3.95 per month; high definition, which includes HD channels, for $9.95 per month; and a dual-tuner, HD-capable digital video recorder for $12.95 per month.

The services include:

- FiOS TV Local, with access to more than 20 local broadcast weather and community channels for $12.95 per month. The service is digital with a set-top box, which also provides access to On Demand programming. Basic is also available as an analog service that does not require a set-top box for viewing.
- FiOS TV Premier, Verizon's lead offer, delivers more than 180 video and music channels for $34.95 a month with Verizon FiOS Internet Service or a qualifying voice plan. This tier includes access to On Demand content and requires a set-top box. High-definition channels are included in this tier at no extra charge, and customers must have an HD set-top box and an HD-ready TV to view them.
- La Conexión, an alternative to Expanded Basic service designed for bilingual consumers who enjoy TV programs in English and Spanish, for $27.95 per month with Verizon FiOS Internet Service or a qualifying voice plan. La Conexión is also available as a stand-alone service for $32.95 per month. The package includes nearly 140 channels with English and Spanish-language programming and access to On Demand programming. This service requires a set-top box. HD channels are included in this tier at no extra charge,

and customers must have an HD set-top box and an HD-ready TV to view them.

Verizon FiOS TV customers who sign up for 12 months of FiOS TV Premier or La Conexión will receive additional discounts through a newly instituted annual savings agreement. FiOS TV customers will have the choice of receiving $5 off the monthly Movie Package price for an annual savings of $60. Or, customers can waive the monthly standard set-top box fee of $3.95 – an annual savings of $47.40.

Consumers with a passion for movies or sports can add the movie package with 44 channels of Starz, Encore, Showtime, The Movie Channel, Sundance and Flix, as well as 255 titles of On Demand programming for a regular price of $11.95 a month. Sports enthusiasts can add a 15-channel sports package for $5.95 a month. Or, both packages can be purchased for $14.95 a month. In addition to the movie package, customers with a set-top box can order new On Demand new movie releases for $3.95 each or choose from a selection of movie library titles for $2.95 each.

For wrestling fans, Verizon offers World Wrestling Entertainment's WWE 24/7, a subscription On Demand service, for $7.95 a month. Karaoke fans can sing along at home with a subscription to the Karaoke package for $7.95 a month.

Verizon also offers 14 HBO channels and 12 Cinemax channels as premium services, with each set of channels available for $14.95. The price includes access to each channel's subscription On Demand library. Subscribers who want both HBO and Cinemax will pay $24.95 per month.

The value of FiOS TV extends to the installation and customer support. Specially trained Verizon technicians will install the service and acquaint subscribers with FiOS TV features and services. Verizon is waiving the installation fee for up to three existing TV outlets, and there is no charge to install a needed optical network terminal at the subscriber's home. Charges for other installation services, such as additional outlets, may apply. Verizon provides 24x7 technical assistance by phone from its Fiber Solutions Centers in Providence, R.I., and other cities.

Verizon Widens Its Broadband Speed Advantage on the Company's Industry-Leading Fiber-to-the-Premises Network

Thursday, July 27, 2006

Verizon Selects Alcatel, Motorola and Tellabs Equipment to Increase Speeds

New Equipment Known as 'G-PON' Leads to Speeds That Are up to Four-to-Eight Times Faster Than Verizon's Blazing-Fast, Fiber-Based Broadband Speeds That Already Lead the Industry

Verizon will widen its broadband speed advantage over other telecom and cable TV companies by installing equipment from Alcatel, Motorola and Tellabs that will dramatically increase speeds on the company's fiber-to-the-premises (FTTP) network.

Later this year, Verizon will begin deploying the Alcatel equipment first, to be followed by Motorola and Tellabs. This is subject to finalizing definitive agreements.

Initially, the new equipment will be capable of increasing broadband speeds by up to four times downstream to the customer's home and by up to eight times upstream back to the Internet on Verizon's FTTP network.

The company announced today that equipment from the three suppliers will support what is known as a Gigabit Passive Optical Network, or G-PON. Verizon will begin installing the Alcatel equipment first in company central-switching offices and in new installations of direct fiber-optic links terminating at a customer's home. Deployment of the Motorola and Tellabs equipment will follow. Both of those companies today supply electronic equipment for the current technology being deployed in Verizon's 16-state FTTP network, known as B-PON or Broadband Passive Optical Network.

"G-PON is the next step in the evolution of the all-fiber-access network," said Paul Lacouture, Verizon's executive vice president for network and technology. "When we first launched the nation's only large-scale FTTP program in 2004, we said that one of the most important competitive and cost-effective features is that we could increase speed and capabilities by evolving to more advanced electronics and without having to change the fiber we had already deployed or are deploying. Today's announcement begins to fulfill that promise.

"In addition to the ability to boost our broadband Internet speeds on fiber, this new technology will enhance the video-on-demand capabilities of our existing FiOS TV product on fiber and sets the stage for an all-IP TV offering in the future," he said. "This new technology also brings us substantial cost benefits, allowing us to reduce costs of the electronics portion of the FTTP platform by about 25 percent. The bottom line is that this is an access network at the local level that is without peer in this industry."

Verizon is the only major U.S. company installing fiber-optic connections directly into consumers' homes on a widespread scale – paving the way for industry-leading FiOS broadband data and video products. Verizon is building the network in more than half the 28 states the company serves.

The company's fiber-based FiOS Internet services today feature blazing-fast broadband connections with downstream speeds ranging from up to 5 Mbps to 50 Mbps (megabits per second) as well as upstream speeds ranging from up to 2 Mbps to 5 Mbps. Verizon already sells these services in over 1,200 communities in 16 states.

Verizon also sells its all-digital, high-capacity FiOS TV product over the same fiber network in 58 communities in seven states – competing directly with incumbent cable-TV companies and finally providing consumers in those communities with a choice for TV service.

Verizon launched its FTTP project in Texas in 2004, passed about 3 million homes and businesses with the technology by the end of 2005, and is on track to pass a total of 6 million premises by the end of this year. Verizon expects to continue to add about 3 million premises passed each year for the next several years.

FTTP replaces the copper wires that today connect most customers to telecom networks. Optical technology, particularly through the use of different transmission path wavelengths or colors, allows a telecom company to provide an array of new broadband, video and other services to customers because of fiber's almost limitless capacity. The fiber-optic network is also more reliable than traditional copper networks because it is less susceptible to problems related to moisture and electrical interference. For example, when heavy rains and floods swept through parts of eastern New England recently, Verizon customers served by FTTP reported significantly fewer problems than those served by copper.

The network is generically known as a passive optical network (PON) because it eliminates powered, neighborhood remote terminals that are required by traditional hybrid copper/fiber networks and are located between the company's central office and the customer. Since PON networks don't require such electronics, they can increase the overall reliability of the network and reduce operational and maintenance expenses.

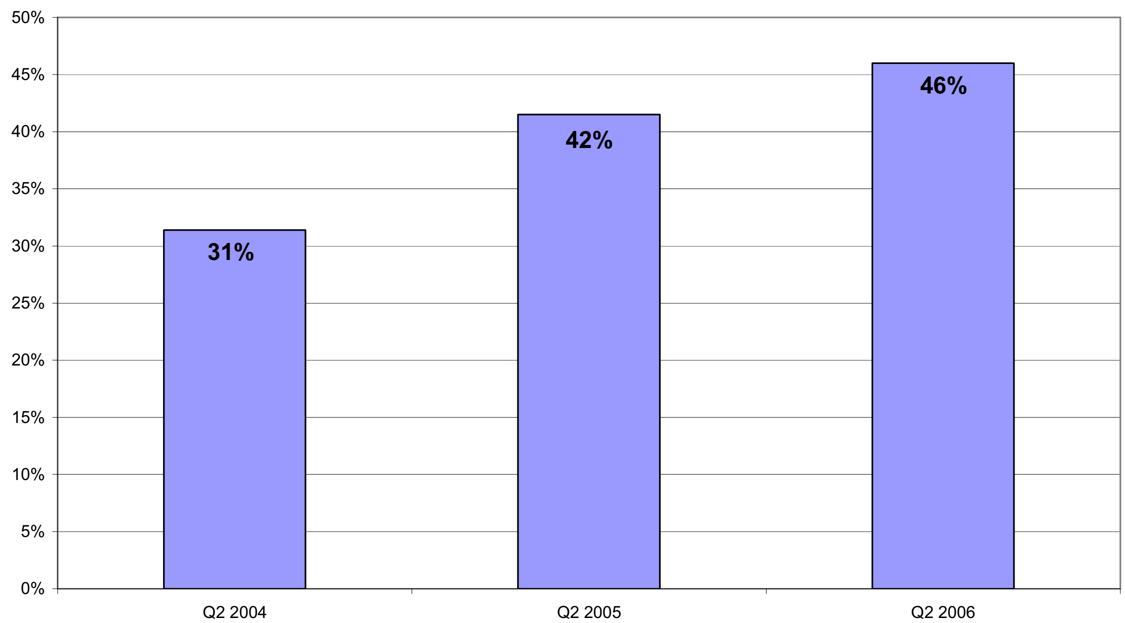
Appendix E

Increasing Demand for Bells' Bundled Offerings Creates Compelling Need to Examine the Allocation of Costs and Revenues Associated with these Services

BellSouth

BellSouth introduced its BellSouth Answers packages in 2002. Subscriptions to these bundles have grown each year since then, as has the percentage of bundle customers that include long distance service in their package. As of June 30, 2006, nearly 5.1 million customers subscribe to BellSouth Answers bundles. BellSouth also reports 3.3 million DSL customers, and 691,000 DIRECTV subscribers.

BellSouth Answers Penetration of Primary Residential Access Lines



Sources: BellSouth *Investor News* , Q2 2004, page 3; BellSouth *Investor News* , Q2 2005, page 7, BellSouth *Investor News* , Q2 2006, page 8.

BellSouth Customers (in thousands)

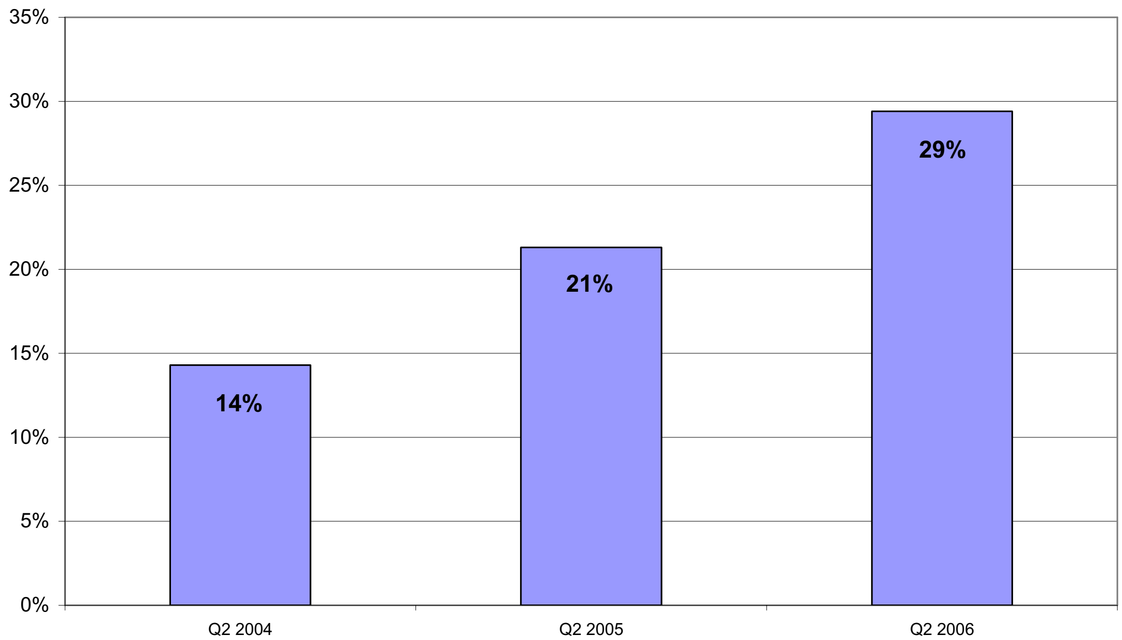
	Q2-2004	Q2-2005	Q2-2006
Total Access Lines in Service	21,786	20,800	19,339
Primary Residential Retail	11,874	11,595	11,022
Total Business	6,085	6,012	5,891
Long Distance Customers	5,131	6,470	7,478
DSL Customers	1,738	2,349	3,273

Source: BellSouth Corporation “statementsbyquarter_0406rev.xls,” accessed May 30, 2006; “q206x.xls," accessed August 7, 2006 (available at http://phx.corporate-ir.net/phoenix.zhtml?c=95539&p=irol-IRHome)

AT&T

While AT&T's total access lines have declined in recent years, its subscriber base for DSL and video services have increased by 82% and 340%, respectively, over the past two years. The percentage of traditional wireline customers adopting AT&T's broadband service continues to rise.

AT&T DSL Penetration of Consumer Primary Lines



Source: AT&T *Investor Briefing* , Q2 2006, page 5.

AT&T Customers (in Thousands)

	Q2-2004	Q2-2005	Q2-2006
Total Access Lines	53,590	51,032	47,911
Primary Residential Lines	23,398	23,036	22,310
DSL Customers	4,277	5,968	7,774
Video Subscribers	121	404	533

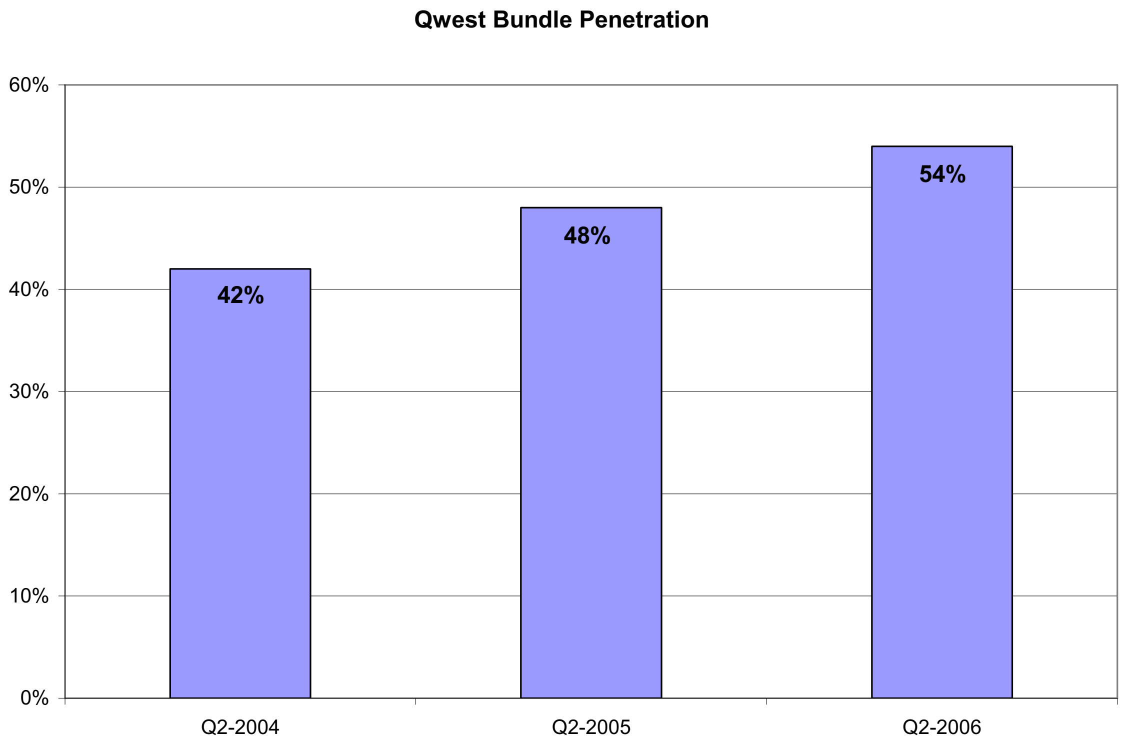
Sources: *SBC Investor Briefing,* Q2 2005, page 13; *AT&T Investor Briefing,* Q2 2006, page 15.

Qwest

Qwest bundles, which include a local exchange line and either long distance service, wireless, or TV, have grown increasingly popular. Long distance customers grew from

2.2 million in 2003 to more than 4.8 million at the end of the second quarter 2006. Qwest's second quarter 2006 earnings press release states:

> Qwest has been rewarded for its aggressive focus on bundle packaging and sales. Since the launch of new bundles a year ago, followed by targeted incentives and promotional initiatives, the company has significantly increased the number of products available in its bundled offerings. Qwest's full-featured bundled offering includes high-speed Internet access, a national wireless offering, local and long-distance service, and integrated TV services through Qwest's own ChoiceTV or its marketing alliance with DIRECTV, Inc.
>
> Sales of voice packages plus three and four products continue to experience significant growth. Customer demand for value-added services is driving higher consumer ARPU, which increased 7 percent to $49 from $46 a year ago.
>
> Long-distance penetration of total retail lines reached 38 percent in the second quarter, compared to 35 percent a year ago.



Sources: Qwest August 2, 2005 Press Release, "Qwest Reports Second Quarter Results: Improved Year-Over-Year Revenue Trends, Expanded Margins, And Solid Progress In Wireless;" Qwest August 1, 2006 Press Release, "Qwest Reports Higher Sequential Net Income, Continued Margin Expansion, And Strong Free Cash Flow."

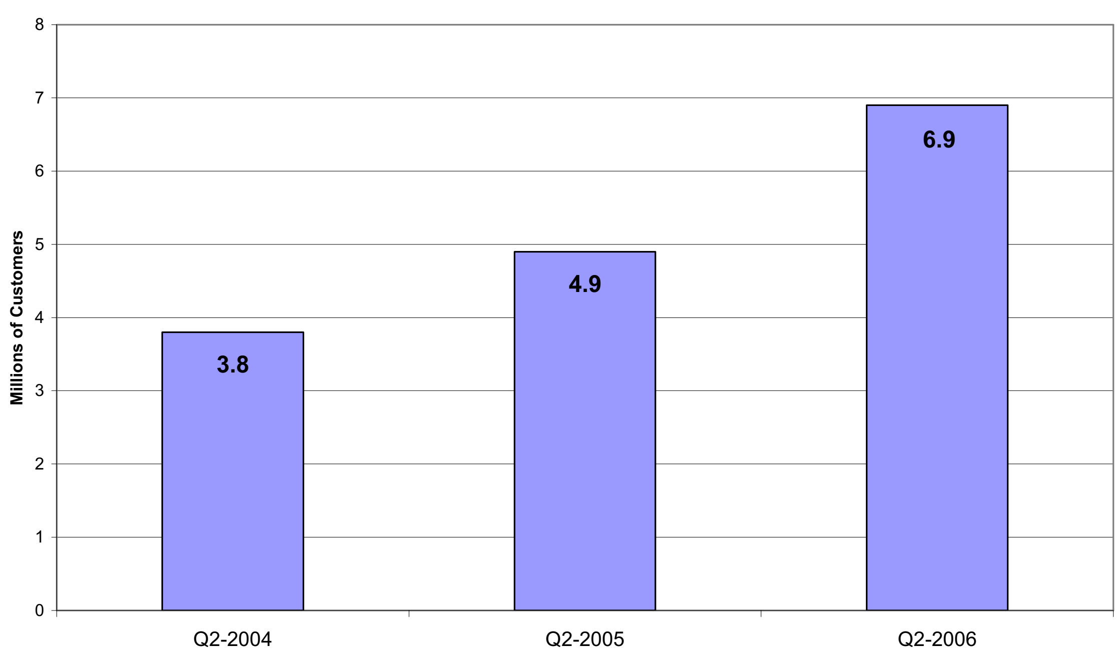
Qwest Customers (in thousands)			
	Q2-2004	Q2-2005	Q2-2006
Total Access Lines	15,839	15,087	14,283
High Speed Internet Subscribers	853	1,190	1,798
Video Subscribers	67	120	273
Long Distance Subscribers	4,071	4,631	4,840

Source: Qwest Communications International, Inc., *Historical Financial Information As of June 301, 2006*, accessed at http://phx.corporate-ir.net/phoenix.zhtml?c =119535&p =irol-reportsAnnual.

Verizon

Verizon's total access lines declined from 54.8 million at the end of 2003 to 47 million at the end of Q1-2006. Verizon reports that, as of June 30, 2006, 6.9 million consumers and small businesses subscribe to Verizon Freedom packages, which combine local service with long distance and internet access. This represents an increase of 40% from one year earlier. FiOS subscribership also leads to purchase of multiple products. Verizon states that approximately 80% of FIOS TV customers purchase three Verizon products – voice, data, and video.

Verizon Freedom Package



Sources: *Verizon Investor Quarterly* Q2 2005, page 4; *Verizon Investor Quarterly* Q2 2006, page 6.

Verizon Customers (in thousands)

	Q2-2004	Q2-2005	Q2-2006
Total Access Lines	53,651	50,691	46,950
Residential Retail Lines	34,815	32,441	29,373
Total Business Lines	18,399	17,842	17,211
Broadband Connections	2,883	4,142	6,125

Sources: *Verizon Investor Quarterly*, Q2 2005, page 13; *Verizon Investor Quarterly*, Q2 2006, page 14.

Appendix F

Bell Bundled Package Offerings:

Illustrative webpages

Bundles

Pick Your Pack

View recommended packs of AT&T services. Bundle your services and save!

Combine Services and Save.

One Company. One Bill.

Choice. Simplicity. Value! Let us save you time and money with your own custom mix of high-speed Internet, flexible calling, wireless, and digital satellite TV — all on one money-saving bill.

AT&T Yahoo! High Speed Internet

Learn More

Best prices when you order online!

Enjoy an introductory rate on high-speed Internet for twelve months! Prices as low as $12.99 per month. (For new residential online orders only. Other monthly charges apply.)*

AT&T Long Distance

Learn More

Your best choice for all domestic and international calls!

AT&T offers flexible calling plans at great prices. Call from home to anyone, anywhere, anytime nationwide with unlimited long distance for as low as $15.00 per month, where available.

Cingular Wireless®

Learn More

Bundle Cingular, and you'll save monthly!

Join the largest Mobile to Mobile calling community in the nation and take advantage of the ALLOVER(SM) Network that covers 270 million people and growing. All plans we sell include unlimited Mobile to Mobile minutes.

AT&T | DISH Network

Learn More

High-quality digital satellite TV at a great price!

AT&T | DISH Network offers superior digitally delivered picture and sound quality at a truly great price. There is no equipment to buy and no term agreement required.

Build My Bundle

Order Now

Get started and build a money-saving bundle that provides local and long distance services with the option to include Internet access and wireless services.

*Additional monthly charges apply. See offer details.

AT&T Recommended Packs

Bundles

:k your own mix of products
d services that work best for
u - on one money-saving bill!

Pick a pack and save!

We have your plans,
your way.

It pays to combine AT&T service on one money-saving bill. Below you'll find AT&T recommended packs of our most popular services, the most convenient way to add up savings.

AT&T Double Pack - Instant Savings

Learn More

High-Speed Internet & Voice Services

Stay in touch for less by phone and online with a discounted mix of high-speed Internet and voice services with feature-rich local calling packages and nationwide long distance.

AT&T Triple Pack - Bundle of Savings

Learn More

High-Speed Internet, Voice Services, & Wireless Service

Save time and money with the best services from our most popular AT&T pack. It's never been easier or more affordable to get high-speed Internet, local and long distance calling, and wireless service on one money-saving bill. The AT&T Triple Pack connects you better and faster with the music, movies, and people you love, for less.

AT&T Quad Pack

Learn More

High-Speed Internet, Voice Services, Wireless, & Digital Satellite TV

Discover new ways to get the most of family moments and play up everything the family likes to do, for less! Our AT&T Quad Pack offers all the great money-saving services of the Double and Triple Packs, and adds digital satellite TV.

>> KEEP IT SIMPLE

Enjoy the simplicity of bundling your services

GET UP TO

$300

CASH BACK

with BellSouth Answers®
Plus order online TODAY and get up to an additional $50 cash back on select products.

*Click here for promotion details

Current BellSouth Customers

LOG IN HERE

New BellSouth Customers

CONTINUE

Click on the links below to learn more about these great services and additional special offers.

LONG DISTANCE

Get $25 Cash Back

BellSouth Unlimited Long Distance

Dial up the savings with your long distance calls.

Call anywhere in the U.S. anytime for one low monthly rate.

Additional offer:

Order a BellSouth Long Distance plan online, and get up to $25 additional cash back.

CINGULAR WIRELESS®

Get $75 Cash Back

Cingular Wireless®

Carry over your anytime unused wireless minutes. Plus, enjoy Unlimited Nationwide Mobile to Mobile minutes with over 55 million customers.

DIGITAL TV

Get $125 Cash Back

DIRECTV® Service

Get **4 MONTHS FREE** of the TOTAL CHOICE® PREMIER package when you buy NFL SUNDAY TICKET™

Additional offer:

Test Drive DIRECTV one month FREE when you activate the Choice® Plus Package. Offer available on approved credit.

INTERNET

Get $75 Cash Bacl

BellSouth® Internet Se

With BellSouth® FastAccess® DSL, surf internet at lightning-fa speed with no dial up delays or busy signals worry about.

Additional offer:

FREE modem after reb with 12-month commitment ($75 valu for online orders

SELECT A FEATURED BUNDLE
OR BUILD YOUR OWN BUNDLE

CUSTOMIZE

Featured Bundle Offers

Click on product and discount names to read important deta

Home Entertainment

Qwest Choice™ DSL Deluxe with MSN® Premium

DIRECTV® Service

Digital Voice
- **Qwest Choice™ Home**
- **Qwest® Unlimited**

Features

- **High-speed Internet:** Unlimited Internet access that's up to 25 times faster than 56Kbps dial-up.
- **Digital TV:** DIRECTV® TOTAL CHOICE® package over 155 channels in 100% digital quality.
- **Digital Voice:** Unlimited local and long-distance calls from your home phone to anywhere in the U.S., anytime. PLUS, choose up to three of your favorite calling features.

Monthly Charge

$139.97
-$20.00 Bundle Discount D
-$13.00 Internet Offer Deta
=$106.97

ORDER NOW

Internet new customer discoun applies for 12 months.

Total Convenience

Qwest Choice™ DSL Deluxe with MSN® Premium

DIRECTV® Service

Qwest Wireless® Free Phone Kit

Digital Voice
- **Qwest Choice™ Home**
- **Qwest® Unlimited**

Features

- **High-speed Internet:** Unlimited Internet access that's up to 25 times faster than 56Kbps dial-up.
- **Digital TV:** DIRECTV® TOTAL CHOICE® package over 155 channels in 100% digital quality.
- **Wireless:** 500 minute plan, plus a free Nokia® 2125i wireless phone (after $10 credit on 2nd or 3rd bill, with a two-year agreement) and free Unlimited Nights and Weekends Starting at 9 p.m.
- **Digital Voice:** Unlimited local and long-distance calls from your home phone to anywhere in the U.S., anytime. PLUS, choose up to three of your favorite calling features.

Monthly Charge

$179.96
-$37.00 Bundle Discount D
-$13.00 Internet Offer Deta
=$129.96

ORDER NOW

Internet new customer discoun applies for 12 months.

Home and Wireless Phone Service

Features

- **Digital Voice:** Unlimited local and long-distance

Monthly Charge

$89.98

Digital Voice

- **Qwest Choice™ Home**
- **Qwest® Unlimited**

Qwest Wireless® Free Phone Kit

calls from your home phone to anywhere in the U.S., anytime. PLUS, choose up to three of your favorite calling features.

- **Wireless:** 500 minute plan, plus a free Nokia® 2125i wireless phone (after $10 credit on 2nd or 3rd bill, with a two-year agreement) and free Unlimited Nights and Weekends Starting at 9 p.m.

-$ 10.00

=$ 79.98

ORDER NOW

Build Your Own Bundle

Browse our bundle-eligible high-speed Internet, digital TV, local phone service, long distance and wireless options to build a custom service group.

CUSTOMIZE

With approved credit. Services and combined billing not available in all areas. Prices exclude taxes, surcharges, and other fees. Bundle pricing and promotional discounts apply after first full month of billing. May require equipment purchase or rental at additional charge. Subject to applicable restrictions, tariffs and service agreements.

These **Qwest Choice Bundles:** require Qwest Choice™ Home local service package and additional qualifying service(s). Limit one bundle per account. **Qwest High-Speed Internet:** For Qwest residential customers only. Limit of one bundle discount for DSL services per account. Requires compatible modem. Actual speeds may vary depending on many factors. MSN Premium also requires acceptance of MSN's terms and conditions. Contact Qwest for complete details. **DIRECTV®:** Receipt of DIRECTV® programming is subject to the terms and conditions of the DIRECTV® Customer Agreement; copy provided at DIRECTV.com and mailed to customers. **Qwest Choice™ Home:** Some features incompatible with others. **Qwest® Unlimited:** Requires Qwest local service (except in Montana). Cannot be used for business or Internet access. Usage may be monitored and customer may be required to show compliance if usage exceeds 5,000 minutes a month or non-compliance indicated. **Qwest Wireless:** Other charges apply, including $35 per-phone activation fee, $1.75 monthly cost recovery fee per phone, charges for additional minutes and roaming, per-message charges for Two Way Text Messaging, and $200 per-phone early termination fee with fixed-term contracts. Calls rounded up to next full minute; unused minutes forfeited. **Free Calls between Qwest Wireless and Home Phones:** Not compatible with all features and phone systems. Microsoft and MSN are registered trademarks of Microsoft Corporation. DIRECTV and TOTAL CHOICE are registered trademarks of DIRECTV, Inc. All other trademarks are owned by their respective companies.

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One low rate and a single bill to pay

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**DSL offers vary by location.

The Verizon Freedom Plans are for residential voice use and may not be used for commerical purposes. Verizon may suspend, restrict or cancel you service if your usage is inconsistent with residential voice usage.

The monthly fee may be higher or lower based upon the plan components you choose and/or your geographic location and do not include any equipment charges, taxes, fees, other surcharges, or long distance usage charges beyond any allotted minutes. The monthly fees are based upon monthly charges for Verizon Freedom Essentials[sm] for unlimited local, regional toll, and domestic long distance calling, Verizon Online broadband services and the DIRECTV® TOTAL CHOICE® package.

Appendix A

Vita

Appendix A

Dr. Robert Loube

Personal Data

Office Phone: 301-681-0338

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Home and Office Address: 10601 Cavalier Drive
Silver Spring, Maryland 20901

Home Phone: 301-681-4987

Education

Ph.D., Economics, Michigan State University, 1983
M.A., Economics, University of Massachusetts-Amherst, 1971
B.S., Economics, University of Maryland-College Park, 1969

Professional Experience

Utility Regulation

Director, Economic Research
Rhoads & Sinon, LLC
April 2001 to the present

Responsibilities include:

- Filed direct and surrebuttal testimony on behalf of the Maine Office of Public Advocate in the Investigation Into Verizon Maine's Alternative Form of Regulation, Phase I, Docket No. 2005-155, September 26, 2005 and April 7, 2006.

- Prepared comments on behalf of the National Association of State Utility Consumer Advocates (NASUCA)In the Matter of the Federal-State Joint Board on Universal Service, CC Docket No. 96-45, filed March 27, 2006 (with David Gabel and the NASUCA Telecommunications Committee).

- Prepared rebuttal testimony on behalf of the Washington State Public Counsel in the Investigation of the Sprint-Nextel Merger, Washington Utilities and Transportation Docket No. UT-051291, January 30, 2006.

- Filed direct testimony on behalf of the Maine Office of Public Advocate in the Investigation Into Verizon Maine's Alternative Form of Regulation, Phase II, Docket No. 2005-155, January 13, 2006.

- Testified on behalf of the Maine Office of Public Advocate in the Investigation into Line Sharing, Maine Docket No. 2004-809, November 18, 2005.

- Testified on behalf of the Maine Office of Public Advocate in Verizon Communications, Inc. and MCI, Inc., Review of Joint Application for Approval of Merger, Maine Docket No. 2005-154, September 29, 2005.

- Filed direct, rebuttal and surrebuttal testimony on behalf of the Office of Consumer Advocate in Pennsylvania Docket No. C-20027195, June 8, June 29, and July 11 2005.

- Filed a rebuttal declaration regarding price floor issues on behalf of The Utility Reform Network in re: Investigation on the Commission's Own Motion into Open Access and Network Architecture Development of Dominant Carrier Networks, Verizon UNE Phase, Investigation 93-04-002, filed April 1, 2005.
- Filed a price floor declaration on behalf of The Utility Reform Network in re: Investigation on the Commission's Own Motion into Open Access and Network Architecture Development of Dominant Carrier Networks, Verizon UNE Phase, Investigation 93-04-002, filed January 28, 2005.
- Filed direct testimony on behalf of Public Counsel and AARP in re: WUTC v. Verizon,Docket No. UT-040788, before the Washington Utilities and Transportation Commission, December 17, 2004.

- Filed a rebuttal declaration on behalf of The Utility Reform Network in re: Investigation on the Commission's Own Motion into Open Access and Network Architecture Development of Dominant Carrier Networks, Verizon UNE Phase, Investigation 93-04-002, filed November 9, 2004
- Prepared a report on the State of Telecommunications Services in Nevada for the subcommittee to study telecommunications service in Nevada, August 2004,
- Filed a declaration on behalf of The Utility Reform Network in re: Investigation on the Commission's Own Motion into Open Access and Network Architecture

Development of Dominant Carrier Networks, Verizon UNE Phase, Investigation 93-04-002, filed August 6, 2004

- Filed expert rebuttal testimony on behalf of the Staff of the South Carolina Commission in re: Implementation of requirements Arising from Federal Communications Commission Triennial UNE review: Local Circuit Switching for mass market customers, SC PSC Docket No. 2003-326-c.
- Testified on behalf of the Pennsylvania Office of Consumer Advocate in re: Investigation into the Obligations of Incumbent Local Exchange Carriers to Unbundle Network Elements, PA PUC Docket No. I-0030099.
- Prepared an Affidavit for the National Association of State Utility Consumer Advocates in the Matter of the Review of Commission's Rules Regarding The Pricing of Unbundled Network Elements And the Resale of Service by Incumbent Local Exchange Carriers, WC Docket No. 03-173 (with David Gabel).
- Provided expert advice to the Cities of Austin, Dallas, Fort Worth, and Hereford in Southwestern Bell Telephone Company's Filing To Establishing Surcharges Resulting From District Court Remand Of PUC Final Order In Docket No. 18509, SOAH Docket No. 473-03-1620, Texas PUC Docket No. 26719.
- Filed expert testimony on behalf of the Staff of the Nevada Public Utilities in The Petition of Nevada Bell for an Order commencing a proceeding to determine the costs and rates for unbundled network elements, Docket No. 00-7012
- Prepared comments for the National Association of State Utility Consumer Advocates in the Matter of Cost Review Proceeding for Residential and Single-Line Business Subscriber Line Charge Cap, FCC CC Docket No. 96-262 (with David Gabel)
- Technical Adviser to the Alabama Public Service Commission in the Generic Proceeding to Establish Prices for Interconnection Services and Unbundled Network Elements - Docket No. 27821
- Prepared reply comments for the Office of the People's Counsel of the District of Columbia In the Matter of Developing a Unified Inter-carrier Compensation Regime, FCC CC Docket No. 01-92.

- Assisted the Universal Service Administrative Company in managing the interstate common line support program.

Industry Economist, GS 301-15
Federal Communications Commission
May 1996 to April 2001

Responsibilities include:

- Established the criteria for choosing the universal service economic cost model;
- Evaluated and modified telephone cost models;
- Determined the input values used in telephone cost models;
- Served on the FCC staff of the Federal State universal service joint board;
- Developed and evaluated alternative universal service funding proposals;
- Developed and compared alternative jurisdiction separations allocators with regard to the impact of the allocators on state and federal jursidictional responsibilities;
- Reviewed orders of other divisions to ensure that those orders complement the tasks and mandates of the Accounting Policy Division;
- Conducted special studies for use by the Chairman, Commissioners, Bureau Chief or Division Chief
- Provided technical economic advice to the division legal staff regarding common carrier operations and regulatory policy.

Director, Office of Economics
Public Service Commission of the District of Columbia,
July 1993 to May 1996

Responsibilities include:

- Supervised the preparation of staff testimony in telephone, electric and gas utility cases.
- Represented the Commission on the Staff of Federal State Separations Joint Board.

- Prepared and presented testimony on the strategic approach to electricity demand side management and least cost planning principles.
- Represented the Commission on the National Association of Regulatory Utility Commissioners Communications Committee's universal service and access reform working groups.

Acting Director, Office of Economics
Public Service Commission of the District of Columbia,
February 1993 to July 1993

Responsibilities include:

- Prepared comments on FERC Notices of Proposed Rulemaking.
- Represented the Commission on the telephone quality of service and low-income program working groups.

Senior Telecommunications Economist
Public Service Commission of the District of Columbia,
May 1989 to the February 1993

Responsibilities include:

- Prepared and presented testimony regarding telephone rate structure, competition in telephone markets, embedded cost studies, and long run incremental cost studies.
- Represented the Commission on digital deployment and generic cost manual working groups.
- Represented the Commission on the staff of the 410B Joint Federal/State Conference on Open Network Architecture.
- Prepared comments on FCC Notices of Proposed Rulemaking.

Econometrician,
Indiana Utility Regulatory Commission,
March 1988 to May 1989

Responsibilities include:

- Developed electric energy and demand forecasts.
- Supervised consultants developing economic and demographic models for utility service territories.
- Represented the Commission on the Executive Committee on Intrastate Access Charges.

Principal Utility Analyst,
Indiana Utility Regulatory Commission,
January 1986 to March 1988

Responsibilities include:

- Prepared and presented testimony regarding demand forecasting for telephone and electric services, cost of equity and long run marginal cost.
- Contributed to staff reports on energy and demand forecasts.
- Developed financial forecasts for electric utilities.

International Consulting

Telephone Organization of Thailand, conducted a Tariff and Cost Workshop for Senior Management and Staff, Bangkok, February 5-7, 2001. Contractor: Booz, Allen & Hamilton, Inc.

Ministry of Communications, Indonesia, drafted a report on best practices guidelines for Universal Service Obligations, and conducted round-table with the Ministry of Communications staff and with the U. S. telecommunications community, Jakarta, August 20-September 9, 2000. Contractor: Nathan Associates, Inc.

Teaching

Assistant Professor,
James Madison University,
September 1983 to December 1984

Instructor,
James Madison University,
September 1979 to June 1983

Courses Taught: Industrial Regulation, Industrial Organization (undergraduate and MBA), Intermediate Macroeconomic Theory, Economic Analysis (MBA), Principles (Macro and Micro)

Other

Economist in the Office of Director, Bureau of Economic Analysis, Department of Commerce, Washington D.C.,
November 1972 to September 1975

Publications

“The Telecommunications Act of 1996: Residential Rates and Competition,” *Utilities Policy*, September 2004.

“Universal Service: How much is enough?” *Journal of Economic Issues,* June 2003.

“Public Interest Regulation, Common Costs and Universal Service,” eds. Edythe S. Miller and Warren J. Samuels, *An Institutionalist Approach* to Public Utilities Regulation, Michigan State University Press, 2002.

"Price Cap Regulation: Problems and Solutions," *Land Economics*, Vol. 71, Number 3, August 1995.

"Measuring the Total Service Long-Run Incremental Cost," *Ninth NARUC Biennial Regulatory Information Conference*, September 1994 (with David Gabel and Mark Kennet).

"The Proper Use of Stand Alone Cost Studies," *Ninth NARUC Biennial Regulatory Information Conference*, September 1994.

"State Experience in InterLATA Toll Deregulation," *Journal of Economic Issues*, Vol. XXVIII, No. 2, June 1994 (with Labros Pilalis).

"Price Caps and Cross-subsidization," *Eighth NARUC Biennial Regulatory Information Conference*, Ohio State University, 1992.

"The Institutional Conditions for Technological Change: Fiber to the Home," *Journal of Economic Issues*, Vol. XXV, No. 4, December 1991.

"Fiber to the Home: A Competitive Analysis," *Seventh NARUC Biennial Regulatory Information Conference*, Ohio State University,1990.

"The Return of the Electric Utility Holding Company and the Future of the Electric Supply Industry," *Journal of Economic Issues*, Vol.XXIII, No. 2, June 1989.

"Impact of the National Appliance Energy Conservation Act on Residential Energy Consumption within a Service Territory," *Sixth NARUC Biennial Regulatory Information Conference*, Ohio State University,1988 (with Katri Clodfelder).

A Summary of Future Demand Trends and Capacity Plans for Major Electric Utilities in Indiana, Public Service Commission of Indiana, Indianapolis, Indiana, 1987 (with Wayne Lash, et al).

Electric Demand and Supply Planning for the State of Indiana, Public Service Commission of Indiana, Indianapolis, Indiana, 1985 (with Wayne Lash, et al).

"District Heating and Regulatory Reform," *Proceedings of the Seventy-Fifth Annual Conference of the International District Heating Association*, Washington D.C.:IDHA 1984.

State and Local Regulation of District Heating and Cooling Systems: Issues and Options, Argonne, Illinois: Argonne National Laboratory, 1981 (with Philip Kier, et al).

"Michigan's Hydroelectric Potential," *The Michigan State Economic Record*, Volume 20, Number 7 (July-August 1978), Division of Research, Graduate School of Business, Michigan State University.

Staff Testimony

Before the Public Service Commission of the District of Columbia:

Formal Case No. 929 The Application of Potomac Electric Power Company for an Increase in its Retail Rates for the Sale of Electric Energy.
Principal Issues: Class Revenue Responsibility, Rate Structure and Low Income Rates.

Formal Case No. 926 The Application of The Chesapeake and Potomac Telephone Company for Authority to Establish a Revenue Requirement and to Increase and Restructure its Schedule of Rates and Charges
Principal Issues: Centrex burden and the Centrex embedded cost study.

Formal Case No. 917
Phase II The Application of Potomac Electric Power Company For Approval of its Third Least Cost Plan
Principal Issues: The Strategic Approach to DSM Develop and Implementation, Level of DSM Spending, Appropriate Standards by Which DSM Expenses Should Be Judged Prudent, and Rate Design and Least-Cost Planning Principles.

Formal Case No. 891 The Application of Chesapeake and Potomac Telephone Company to Offer Return Call and Caller ID Within the District of Columbia
Principal Issues: Tying Arrangements Between Sales of Equipment and Services, and Public Policy Issues Associated With the Offering of Caller ID

Formal Case No. 850 Investigation into the Reasonableness of the Authorized Return on Equity, Rate of Return, and Current Charges and Rates for Telecommunications Services Offered by the Chesapeake and Potomac Telephone Company

Principal Issues: Rate Design, Incremental Cost and Embedded Cost Studies

Formal Case No. 814
Phase III Investigation into the Impact of AT&T Divestiture and Decisions of the Federal Communications Commission on the Chesapeake and Potomac Telephone Company's Jurisdictional Rates

Principal Issues: Flexible pricing, incremental cost studies, tests for the existence of competition, criteria for measuring alternative regulatory plans.

Formal Case No. 814 Investigation into the Impact of AT&T Divestiture and Decisions of the Federal Communications Commission on the Chesapeake and Potomac Telephone Company's Jurisdictional Rates

Principal Issues: The Use of Cross Elasticity Studies and Market Surveys to Define Markets for Telecommunications Services

Telephone Tariff
91-3 Investigation of the Chesapeake and Potomac Telephone Company's General Regulations Tariff No. 201, Section 1

Principal Issues: Regulatory safeguards and costs of pre-approval of special assemblies

<u>Before the Indiana Utility Regulatory Commission:</u>

Cause No. 38665 Joint Petition of Century Telephone Enterprises, Inc., Odon Telephone Co., Inc. and Colonial Telephone Company, Inc.

Principal Issue: Approval of the Purchase of Odon by Century

Cause No. 38560 Petition of Northern Indiana Public Service Company

Principal Issues: Economic Development Rates and Long Run Marginal Cost

Cause No. 38426 Petition of GTE-Indiana

Principal Issues: Revenue Adjustment, Cross-Subsidization, Cost Methodology and Demand Repression

Cause No. 38415 Petition of Public Service Company of Indiana

Principal Issue: Financing Authority

Cause No. 38302 Joint Petition of Indiana Gas Company, Inc. and Westport Natural Gas Company, Inc.
Principal Issue: Acquisition Adjustment

Cause No. 38158-S1 Investigation to Determine the Extent of Regulation of Pay Telephone Equipment
Principal Issue: Regulation of IXC-Owned Pay Phones

Cause No. 38158 Investigation to Determine the Extent of Regulation of Pay Telephone Equipment
Principal Issues: Deregulation and Rate Structure

Cause No. 38061 Petition of Midwest Natural Gas Corporation
Principal Issue: Cost of Equity

Cause No. 38059 Petition of Indiana Bell Telephone Company, Inc.
Principal Issues: Local Measured Service and Long Run Marginal Cost

Cause No. 38045 Petition of Northern Indiana Public Service Company
Principal Issues: Demand Forecasting, Financial Viability and Regulatory Policy with Regard to Excess Capacity

Cause No. 38034 Petition of Odon Telephone Company, Inc.
Principal Issues: Acquisition Adjustment, Cost of Equity, Financing Authority, and Service Improvement Program

Cause No. 37938 Petition of Northern Indiana Public Service Company
Principal Issues: Economic Development Rates

Cause No. 37927 Petition of United Telephone of Indiana
Principal Issues: Cost of Equity

Cause No. 37866 Petition of Hoosier Energy Rural Electric Cooperative, Inc., et al.
Principal Issues: Economic Development Rates and Long Run Marginal Cost

Cause No. 37814 Petition of United Telespectrum of Indiana, Inc.
Principal Issue: Certificate of Territorial Authority

Cause No. 37735 Petition of Westport Natural Gas Company, Inc.
Principal Issue: Cost of Equity

Cause No. 37706 Petition of Midwest Natural Gas Corporation
Principal Issue: Cost of Equity

Cause No. 37686 Petition of Indiana Bell Telephone Company, Inc.
Principal Issue: Demand Repression

Cause No. 37414 Petition of Public Service Company of Indiana
Principal Issues: Forecasting Methodology and Capacity Planning

Lectures

"Network Neutrality and Service Quality," and "Telecommunications Pricing," NARUC Advanced Regulatory Studies Program, June 2006.

“Public Utility Pricing,” “Retail Pricing in Telecommunications,” and “Cost Models in Telecommunications,” NARUC Annual Regulatory Studies Program, August 2004.

“Retail Pricing in Telecommunications,” NARUC Annual Regulatory Studies Program, August 2003.

“The Evolution of Telecommunications Pricing,” NARUC Annual Regulatory Studies Program, August 2002.

“Federal Restructuring of the Telecommunications Industry,” “Federal Universal Service Programs,” and “State Universal Service Programs,” NARUC Annual Regulatory Studies Program, August 2001.

"Cost Modeling in Telecommunications," NARUC Annual Regulatory Studies Program, August 2000.

"Cost Modeling in Telecommunications," NARUC Annual Regulatory Studies Program, August 1999.

"Cost Modeling and Universal Service," NARUC Annual Regulatory Studies Program, August 1998.

"Cost Modeling in Telecommunications," NARUC Annual Regulatory Studies Program, August 1997.

"Policy Issues Raised by Performance-Based Incentive Systems," Public Policies Toward Competition in the Electric Power Industry, Wisconsin Public Utility Institute, October 1994.

"Cost Allocations in Broadband Networks," NARUC Annual Regulatory Studies Program, August 1994.

"Pricing Concepts and the Control of Price Discrimination in Advanced Telecommunications Networks: Issues and Methods," NARUC Advanced Regulatory Studies Program, January 1994.

"Cost Allocation in Advanced Telecommunications Networks: Issues and Methods," NARUC Annual Regulatory Studies Program, August 1993.

"A Review of Incentive Regulation," CAMPUT 7th Annual Regulatory Conference, Banff Canada, May 1993.

"New Social Contracts: Telecommunications Policy for the 21st Century," Annual Meeting of the Association of Evolutionary Economics, January 1993.

"Modernization: Who Pays? Who Benefits?," NARUC Annual Regulatory Studies Program, August 1992.

"Who Determines the Costs and Prices for Access to the Infrastructure," Telecommunications Policy: Agenda for the 21st Century Conference, The Michigan Divestiture Research Fund, March 1992.

"The New Social Contract," State Policies for Developing the Telecommunications Infrastructure Forum, Wisconsin Public Utility Institute, December 1991.

"RBOC Strategic Reactions to Entry," Atlantic Economic Society Annual Conference, Washington, D.C., October 1991.

Industry Committees

Federal Staff of the Federal-State Joint Board of CC Docket No. 80-286 (June 1999 to April 2001).

Federal Staff of the Federal-State Joint Board of CC Docket No.96-45 (May 1996 to April 2001).

National Association of Regulatory Utility Commissioners (NARUC) Staff Subcommittee on Communications (1994-1996).

State Staff of the Federal-State Joint Board of CC Docket No.80-286 (1991-1996).

Professional Associations

Member: American Economic Association
Association for Evolutionary Economics

Appendix D

Non-Regulated C&WF Investment ($ thousands)			
Year	2005	2004	2003
BellSouth-Florida	27,230	25,682	24,149
BellSouth-Georgia	43,112	41,868	39,968
BellSouth-North Carolina	10,028	9,965	9,140
BellSouth-South Carolina	174	127	93
BellSouth-Alabama	3,235	3,039	2,392
BellSouth-Kentucky	2,284	2,239	2,250
BellSouth-Louisiana	3,212	3,189	3,176
BellSouth-Mississippi	21	1	1
BellSouth-Tennessee	6,914	6,893	6,658
Qwest-Arizona	-	-	-
Qwest-Colorado	-	-	-
Qwest-Idaho South	-	-	-
Qwest-Montana	-	-	-
Qwest-New Mexico	-	-	-
Qwest-Utah	-	-	-
Qwest-Wyoming	-	-	-
Qwest-Iowa	-	-	-
Qwest-Minnesota	-	-	-
Qwest-Nebraska	-	-	-
Qwest-North Dakota	-	-	-
Qwest-South Dakota	-	-	-
Qwest-Idaho North	-	-	-
Qwest-Oregon	-	-	-
Qwest-Washington	-	-	-
Southwestern - Arkansas	4	4	4
Southwestern - Kansas	6	6	6
Southwestern - Missouri	27	27	27
Southwestern - Oklahoma	15	15	15
Southwestern - Texas	23	23	23
Pacific Bell - California	11,349	11,349	11,349
Nevada Bell	-	-	-
AT&T/Southern New England Telephone	-	-	-
Illinois Bell	11	11	11
Indiana Bell	2	2	2
Michigan Bell	5	5	5
Ohio Bell	41	41	41
Wisconsin Bell	10	10	10
Verizon-Washington D.C.	-	-	-
Verizon-Maryland	30,434	-	-
Verizon-Virginia	62,725	23,225	-
Verizon-West Virginia	-	-	-
Verizon-Delaware	3,603	-	-
Verizon-Pennsylvania	-	2,464	-
Verizon-New Jersey	6,773	6,794	7,087

Verizon NE - Maine	-	-	-
Verizon NE - Massachusetts	23,807	-	-
Verizon NE - New Hampshire	-	-	-
Verizon NE - Rhode Island	2,677	-	-
Verizon NE - Vermont	-	-	-
Verizon New York Telephone	88,808	2	2